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PREFATORY NOTE

'he *Economic Survey of Asia and the Far East, 1950* is divided) two parts. Part I deals with the more general and basic factors of elopment and includes chapters on resources, income and economic elopment problems and trends. Part II reviews developments of the rent year in the spheres of agricultural and industrial production, isport, international trade and payments, money and finance, including problem of emerging new inflationary pressures in the region.

'he increasing interest taken by the Commission in the *Survey* has ılted in a corresponding manifestation of desire on the part of the ernments of the region to supply more extensive material covering r economies, and the contacts between the Secretariat staff and the :ials nominated by the governments to assist in furnishing data have ı of great value in this respect. The publication of the section on an Economic Statistics in the quarterly *Economic Bulletin for Asia the Far East* has encouraged a more regular flow to the Secretariat statistics, both published and unpublished, from governments and rnational organizations. Burma, Ceylon, Malaya, Pakistan and the lippines have all initiated new comprehensive statistical publications ch help to meet the urgent need for up-to-date statistical material on r respective economies. The fields in which statistical material was e complete or up to date in 1950 than in preceding years include trans-, foreign trade, balance of payments, and currency and credit.

'he present *Survey,* like previous ones, is the co-operative work of all substantive Divisions working in collaboration with the Research Statistics Division of the Secretariat. Acknowledgements are due the assistance rendered by the several Divisions of the Department Economic Affairs and the Department of Social Affairs as well as by Food and Agriculture Organization of the United Nations, the Inter-onal Labour Office and other specialized agencies.

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LETTER OF TRANSMITTAL

Bangkok, Thailand
31 July 1951

Sir,

In accordance with the instructions of Mr. A. D. K. Owen, Assistant Secretary-General in charge of Economic Affairs, I have the honour to transmit to you herewith the *Economic Survey of Asia and the Far East, 1950.*

The picture of economic conditions in the ECAFE region[1] presented in this *Survey* is a composite one. The opening months of 1950 promised to fulfil the hopes expressed in the last *Survey,* namely, that 1949 had marked the end of the first phase of painful post-war recovery paving the way for a more rapid development. Indeed, there were ample evidences early in the year to justify such expectations. Post-war planning received a further impetus from the formulation of the Colombo Plan which, although of most direct concern to the British Commonwealth countries, opened the door to other southeast-Asian countries to participate. With the prospect of external financial resources, ECAFE countries were encouraged to draw up fresh and more realistic plans for periods varying from three to six years. The time seemed opportune. The world had ceased to be a seller's market and a larger flow of developmental goods could be expected. Western European countries which had made substantial recovery were better able to meet the development needs of ECAFE countries. There had been considerable improvement in production and transport in the region; the machinery of planning had been refined and refurnished.

It was in this situation that major political events in the middle of 1950 intervened to put back the clock of progress and weaken the forces of reconstruction and development in Asia. Nevertheless, as will be seen in the pages of this *Survey,* the immediate effects of these events were felt in terms of higher prices for the region's exports, improved terms of trade, higher money incomes and profits, and balance-of-payments surpluses.

Superficially indeed, the second half of 1950 and subsequent months brought a wave of prosperity to many parts of the region. But any tendency to feel exhilarated by this prosperity should be tempered by knowledge of its causes. The blunt and grimly paradoxical fact is that these improvements were based primarily on the impact of the Korean war and re-armament in other parts of the world. This can be no stable basis for the prosperity of Asia and the Far East. In addition, with inflationary pressures mounting and supply difficulties increasing, the region is already suffering from the world-wide conflict between social and economic improvement on the one hand and re-armament on the other. The deterioration in the world political situation has brought an element of uncertainty to programmes of development in the region and the already heavy burden of defence expenditure has tended to increase. The over-all position is thus one of grave anxiety, caused not merely by the political situation but by the inherent weakness of the economic and financial structures of countries of the region, which are always subject to the vicissitudes of external "wind and weather" without the power or means effectively to control them.

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[1] The term "ECAFE region" is used in reference to the restricted group of countries covered by the Commission's terms of reference, namely, the Associated States of Indochina (Cambodia, Laos and Vietnam), British Borneo Territories (North Borneo, Brunei and Sarawak), Burma, Ceylon, China, Hong Kong, India, Indonesia, Korea, he Federation of Malaya and Singapore, Nepal, Pakistan, the Philippines and Thailand. These countries, with the addition of Japan, constitute the wider "AFE region."

The renewed destruction of Korea is in itself a major catastrophe. Korea was slowly regaining its capacity to export surplus rice when the conflict started. The substantial expansion of industrial production in Japan in 1950 might be expected to fill in the deficiencies in the supplies of capital goods from the United States and Europe, were it not that much of the increase is in response to demands in Korea and that a shortage of raw materials is developing which is likely to damp down the rate of expansion.

Available data indicate that the slight improvement in the *per capita* food supply for 1949 reported in last year's *Survey* continued in 1950.[2] The average caloric value of food consumption during 1950, though still below pre-war levels, has significantly increased compared with previous years. Efforts have been made by several governments to bring about an improvement in the economic conditions of the peasant cultivators by measures of agrarian reform. Agricultural policies have been more clearly formulated and plans to enhance productivity are receiving the highest priority. Increased production of essential food crops and expansion of production of vegetables, fruits and livestock products have become the clearly defined objectives of agricultural policy in almost all ECAFE countries, as well as self-sufficiency in food wherever possible. The development programmes of all governments, involving heavy outlay on schemes of irrigation, soil reclamation, reforestation and flood control bear witness to the concern of governments with implementing their food policies.

The region's general position in agricultural production, however remained at a level below pre-war and, unless effective measures are taken, is liable to undergo further deterioration. The basic needs of the peoples of the region are still inadequately met and food supplies *per capita* continue to be lower than before the war. Production of textiles in India, the major producing country of the area, significantly declined oth in cotton and jute; in the latter case, the decline was due to continued ifficulties in the supply of raw materials. Supplies of farm machinery, hich had been relatively easily available in the first part of 1950, have ecome more difficult to obtain because of diversion of raw materials nd minerals to re-armament programmes in the supplying countries, and rms of delivery involve much longer periods than in 1949 and the first art of 1950.

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[2] However, in India, towards the end of 1950 the food situation deteriorated and famine conditions developed over wide tracts in the country, mainly on account of series of calamities, including droughts, floods and earthquakes.

As land and other natural resources are increasingly utilized, the region ay have to face the more fundamental problem of insufficiency of esources in relation to the growing population; but that time is yet far ff. The pressing problem of today is more effective utilization of available nd known resources in relation to the needs of a growing population. n several countries, the earlier optimistic expectation that the population roblem could be left to solve itself is giving way to studies on the elation between economic development and social and cultural factors n the one hand, and the growth of population on the other.

Industrial and mineral production in the region has continued to main- in the improvement which was noticeable in 1949. Compared with 1949, roduction in 1950 generally showed an increase, with the significant xception of cotton and jute textiles in India noted before. If Japan is cluded the improvement is more marked, as Japan's recovery in 1950 as been considerable. However, it should be noted that industrial produc- on in Japan is still well below the pre-war level in respect of several ems (for example, coal, steel, cement, cotton yarn and cotton goods), hile there have been increases above the pre-war level in production f electricity, iron ore, pig iron and sulphuric acid.

The increases in production of electric power in several countries of e region in the post-war period were remarkable. In 1950, electric ower production in the Philippines was twice that of 1938. India also owed a substantial increase of 102 per cent over the pre-war level; eylon 161 per cent; and Thailand and Japan 56 per cent and 57 per cent espectively. The only considerable producer of machinery in the ECAFE egion for which statistics are available is India, where there was an ver-all increase in production in 1950 compared with 1949. However, e types of machinery made in India are for the most part in the light ategory and the total quantity produced is still small.

There was a marked improvement in transport facilities in 1950 com- ared to previous years, and transport difficulties were considerably eased Burma, China and Indonesia. The restoration and improvement of ansport facilities have figured prominently in the post-war development lans of the Asian and Far Eastern countries. The British Commonwealth ountries in the region have allocated for improvements in transport and ommunications more than one-third of the combined estimated expendi- ures of their national development programmes under the Colombo Plan or the six-year period from 1951 to 1956. Nearly one-half of the region's achinery imports in 1949 and 1950 consisted of transport equipment. here have been significant additions to railway rolling stock, including comotives. However, operating efficiency is still unsatisfactory and pre-war standards of maintenance have not yet been regained. There ha been a substantial improvement in railway facilities in the mainland China, where the railway system has now been basically restored t pre-war standards. Railway traffic was restored for the first time i fifteen years over the entire length between Peking in the north an Canton in the south.

Throughout the region there has been a considerable increase in roa traffic. Schemes of highway development are under way. Inland wate traffic in the region has also considerably increased and major improve ments to ports and port facilities have been effected.

Government finances in ECAFE countries are still dominated by deficit exercising pressure on prices. It has been sought to check these by variou measures which attained considerable success in 1949. However, wit programmes of current expenditures which could not be reduced belo a certain minimum level and with capital expenditure programmes whic often involve outlays in excess of current savings, ECAFE countries hav been beset by the problem of inflationary pressures. Since the middle 1950 these pressures have been greatly increased by the money income generated by export surpluses.

In view of the preponderance of government outlay and investment i the ECAFE region, fiscal policies continue to be the most importa instrument available for mobilizing and directing the flow of capital int desired channels. With a view to both checking inflation and mobilizin funds for investment, many governments have sought to increase the revenue from taxation. These efforts met with varying degrees of succe and by 1950 had brought about in a number of countries significa changes in the tax system; export duties and, to a lesser extent, impo duties have been used as relatively flexible instruments for the purpo and, combined with improvements and reforms of the tax systems several countries, they have notably increased the resources available f development. At the same time, governments have adopted various devic to encourage private investment, for example, by offering tax reductio and relief to new enterprises for limited periods of time. The low lev of private domestic investment in the countries of the region is acco panied by a low level of private investment from abroad.

In 1950, exports of the ECAFE region in terms of dollars (excludin China, British Borneo territories, Nepal and Korea) rose by 21 per ce while imports fell by 12 per cent. (The most marked was the decline imports from the United States, which fell by about 35 per cent.) Th caused an export surplus of $847 million as compared with an impo surplus of $800 million in 1949. The region's pre-war export surplus th re-emerged for the first time since the war. Compared with only thr out of ten countries, namely, Burma, Ceylon and Thailand, all of whi had export surpluses in 1949, all ECAFE countries except the Associat States of Indochina had export surpluses in the second half of 195 Even allowing for price changes, the trade returns show a significant f in the volume of imports and a rise in the volume of exports.

The fall in imports of machinery was significant. Although exports machinery from Japan increased considerably in 1950, they were still at a low level compared with pre-war. The reduction in imports of machinery by ECAFE countries has undoubtedly slowed down the tempo of industrialization.

The trade of Japan had increased considerably in 1949 and continued to do so in 1950. Its abnormal post-war dependence on the United States for imports had also been reduced in 1949 by the restoration of certain pre-war markets and sources of supply. Japanese exports increased by 150 per cent between 1948 and the first half of 1950, mainly because of an increase in textile exports. The Korean war gave a great impetus to Japanese exports, with the result that in 1950 there was a considerable export surplus, if imports received under United States aid are not counted. Japanese dependence on United States raw materials, at a time when export controls in the United States may reduce their availability, is liable to check Japan's expansion of production. With the possible stoppage of trade with the mainland of China, Japan's supplies of iron ore and coking coal, essential to its steel production, would also be curtailed.

Such data as are available show that the exports and imports of China increased in 1950 over 1949. Exports to the United States, the United Kingdom, and continental Western Europe increased considerably, but here was a decline in direct imports from the United States which, owever, was more than compensated for by increased imports from Hong Kong and continental Western Europe. The prospects of trade in 1951 are different, however, since they involve an increasing degree of e-orientation.

The fact that exports of some countries have increased considerably would seem to indicate not only a change in the demand but also a general mprovement in production and transport in the region.

The trade of the ECAFE region, as indeed of many other countries of he world, is affected to a large extent by changes in the United States. The temporary recession in 1949 and the subsequent stock-piling and e-armament boom in the United States have, through their direct impact on trade, had a pronounced influence on the economies of the ECAFE egion.

The turn in the balance-of-payments position of the ECAFE countries which started with devaluation in September 1949 gained momentum as result of re-armament and the Korean war. From a prolonged and ntractable phase of heavy import surpluses, which continued till the end f 1949, nearly all the countries of the region converted their deficits into urpluses and some found themselves accumulating considerable foreign-xchange reserves. The increase in the value of exports was mainly the esult of a substantial increase in the prices of raw materials of which CAFE countries were large suppliers, but was also due to a larger olume of exports. The value and volume of imports, on the other hand, ad declined partly on account of devaluation but mainly because of mport controls in countries of the region, with the result that most CAFE countries for the moment have a sizeable export surplus. The terms of trade have turned in their favour although the degree of gain cannot be accurately measured. How significant has been the change may be seen from the fact that the shift from the import surplus to the export surplus in the balance of trade in 1949 and in 1950 was of the order of $1,647 million and, if Japan is included, the figure is $1,918 million. In 1950 the increase in the foreign-exchange resources of the eight ECAFE countries for which figures are available was estimated at $755 million and, if Japan is included, $1,240 million.

Such a change in the position of ECAFE countries would be most welcome were it not that, besides the fact that it can only be temporary, it has brought many serious problems in its train. It is unlikely that the export boom will continue at its present level. Perhaps the peak of high prices has, for the time being, been reached. It is also true that not all countries of the region have shared equally in the gains from increased exports. Of course the principal beneficiaries are the largest exporters of those raw materials which are most in demand and prices of which have increased most. Thus Malaya and Indonesia, which are large rubber and tin exporters, have gained most and, at present prices, are likely to continue to gain most, while India and Burma have gained least. Between these extremes are countries like Ceylon, Indochina, Pakistan, the Philippines and Thailand which are either exporters of relatively small quantities of rubber and tin or exporters of other goods prices of which have increased considerably but not in the same proportion. Japan has had its full share of gains from the increased demands of re-armament and the Korean war, although its expansion of production is likely to be arrested by shortages of raw materials.

On the other hand, the size of the export surplus was determined also by the decline in imports. While many non-essential imports were eliminated, the decline in imports for economic development was also significantly marked. It should be pointed out that any reasonable rate of economic development in the countries of the ECAFE region would not only absorb the entire export surplus but would turn it again to a substantial import surplus.

The rising export surplus not merely increases the money income o exporters but, through its effect on the rest of the economy, generates additional money income throughout the whole country. The inflationary pressures of a large and mounting export surplus, unless checked by proper measures, would cause serious repercussions. Inflation had been a continuing menace in ECAFE countries through the immediate post-wa years and, in most countries, was not checked effectively until 1949. Onc again the countries are faced with a serious inflationary situation which unless properly handled, may once more undermine their economies. I inflation is not checked, there may be uneconomic diversion of resources grave hardships to non-exporting interests, speculation in scarce commodities and suffering among the masses of the population. The programmes of diversification of production contemplated by many countrie may also be impeded.

Upward revaluation of currencies is being considered in some countrie as a possible method of combating inflation, since it would reduce export income and cheapen imports. However, besides a possible adverse effect on balance of payments, which should not be too lightly risked, it is doubtful if revaluation is the right course of action to meet an admittedly temporary export boom. Any policy or action based upon the continuance of the present boom is likely to invite disaster unless that action is reversible without delay at the right time. Further, unlike Europe where inflation is primarily a cost inflation, ECAFE countries are faced with a profit inflation. The appropriate remedy, therefore, would seem to lie in finding ways by which the profits could be siphoned off into the hands of government and temporarily sterilized.

Several ECAFE countries have developed the technique of flexible export duties which provides means of mopping up profits and thereby reducing inflationary pressures. Since January 1951, Malaya has been experimenting with a sliding scale of export duties, varying according to the prices, and the actual rates are being fixed at weekly intervals.

Suggestions have also been made that governments might freeze part of the earnings on exports by putting them into a stabilization fund to be used later when prices fall. Part of the benefits of cheaper imports can be reaped without currency appreciation by relaxing import controls on essential capital and consumption goods. The weakness of the method of exchange appreciation is that, if the temporary or extraordinary demand for raw materials were suddenly to fall off and exports declined drastically, an immediate devaluation would become necessary to meet the inevitable deficit, and it is doubtful if devaluation could be adopted in time. Flexible export duties, i.e. of varying levels, combined with flexible import controls, can combat inflationary pressures almost as well as currency revaluation, possibly without reduction of foreign-exchange balances. Nevertheless it might still become necessary to have recourse to exchange appreciation if an upward revaluation of sterling were to take place, since the latter would result in a deterioration of the terms of trade of many countries in the region. However, the situation will have to be considered by each country on its merits.

Another method of reducing the inflationary pressure would be, as already stated, to permit a freer flow of imports. There is, however, a serious doubt as to whether ECAFE countries would succeed in securing an adequate flow of either capital goods or essential consumer goods, at least in the immediate future, in view of the exacting demands of re-armament. The gap between money income and supplies of goods might indeed widen. The fear that this might happen was the reason why countries of the region pressed for a resolution adopted by the Economic Commission for Asia and the Far East at its seventh session in March 1951, recommending to supplying governments that they should continue to make every effort to ensure that supply difficulties did not interfere with the development plans of the countries of the region. It may be hoped that, in view of the relatively small requirements of the countries of the region in relation to total production of capital goods in industrialized countries and of the importance attached to the uninterrupted progress of their development programmes, ways will be found to meet their needs.

However, if the countries of the region are unable to get the capital goods in quantities and types required, an alternative for them would be to let balances accumulate, provided that at the same time a guarantee could be obtained that their values would not decline in real terms.

It is fortunate that, as the demands upon monetary authority have been increasing, the control exercised by central banks and governments over the currency and banking system is each year becoming progressively more effective. In Ceylon the Central Bank, which began its operations in August 1950, immediately laid down that commercial banks should keep reserves with the Bank amounting to 10 per cent of demand deposits and 5 per cent of the time and savings deposits. The reserve requirements on demand deposits were increased in January 1951, thus reducing excess reserves of commercial banks. In Pakistan, the State Bank increased the percentage of assets which commercial banks had to keep within Pakistan against their deposit liabilities, thus ensuring that a greater portion of deposits would be used for loans and advances within the country and not for remittances or loans abroad. The exceptions to this trend of increasing control exercised by the monetary authorities were in Burma, British Borneo territories, Malaya and Hong Kong, where the currency systems are on a rigid sterling exchange standard.

Inter-governmental loans, credits and grants have become an important factor in the flow of funds into the region since the war. During 1950 significant external aid was furnished to the ECAFE region and Japan by the United Nations agencies, the United States, the British Commonwealth and certain other countries. Although the total amount of aid from all such sources was small in relation to the needs of the region, it nevertheless served as an effective catalytic agent to stimulate developmental activities in the region. Without such aid the position of several countries of the ECAFE region would have been worse. It is to be hoped that in the coming years it will become a factor of much greater importance.

(Signed) P. S. LOKANATHAN
Executive Secretary,
Economic Commission for Asia
and the Far East

The Honourable Mr. Trygve Lie
Secretary-General
United Nations, New York

SYMBOLS EMPLOYED

The following symbols have been used throughout this *Survey*:

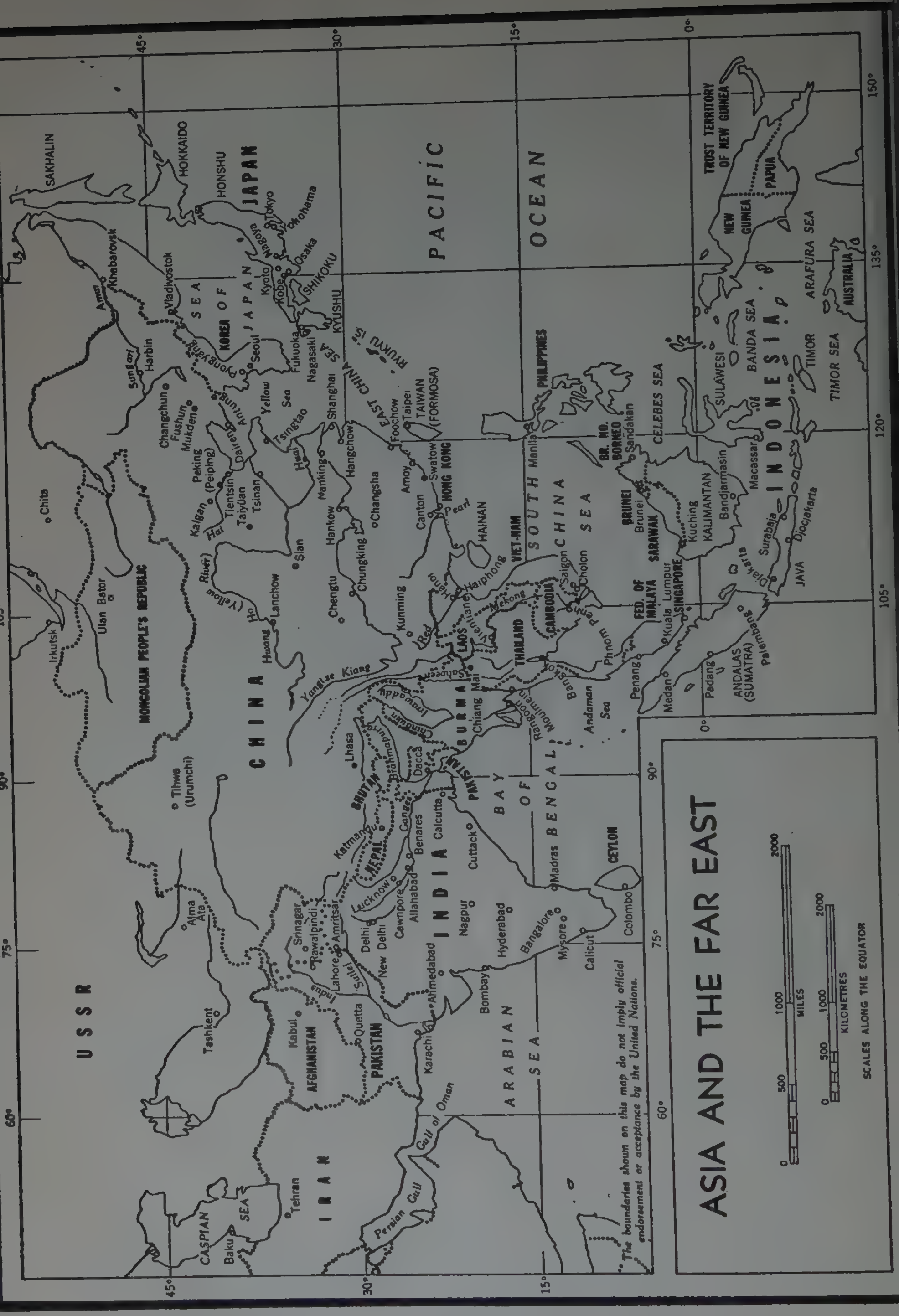
.. = *not available;* — = *nil* or *negligible*

In referring to combinations of years, the use of an oblique stroke, e.g., 1947/48, signifies a twelve-month period (say from 1 July 1947 to 30 June 1948). The use of a hyphen, e.g., 1947-1948, signifies the full period of calendar years covered (including the end years indicated) as either an average or a total, as specified.

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton.

The following symbols are used to represent the abbreviations of national currencies in Asia and the Far East:

Rs. = rupees (Burma, Ceylon, India and Pakistan).
NTY. = New Taiwan yuan issued by the Bank of Taiwan under the National Government of China.
PBN. = People's Bank note issued by the People's Bank of China under the Central People's Government of China.
$HK = Hong Kong dollar.
Fl. = guilder } (Indonesia) : equal in value.
R. = rupiah }
Y. = yen (Japan).
W. = won (Republic of Korea).
M$ = Malayan dollar (Malaya and British Borneo, embracing North Borneo, Brunei, Sarawak, Federation of Malaya and Singapore).
P. = peso (the Philippines).



ASIA AND THE FAR EAST

The boundaries shown on this map do not imply official endorsement or acceptance by the United Nations.

SCALES ALONG THE EQUATOR

PART ONE

RESOURCES, INCOME AND DEVELOPMENT

CHAPTER I

Natural Resources and their Utilization[1]

While scattered studies on the natural resources of countries of Asia and the Far East and on their development have appeared from time to time, little attempt has hitherto been made to bring these studies together and to give an over-all picture of the situation for the region as a whole. In the following sections, a beginning is made in this respect by providing a brief survey of the situation in regard to land resources and problems of utilization, forest and fishery resources, irrigation, water-power and mineral resources.

LAND RESOURCES AND PROBLEMS OF UTILIZATION

Land utilization was discussed in the *Economic Survey of Asia and the Far East, 1947,* where there was a brief account, based on the rather inadequate data so far available, of the extent of cultivation, the ratio of cultivated land to population and the types of land used, with a comparison of the pre- and postwar positions. The quantitative aspect of land utilization will therefore not be dealt with again here and, instead, consideration will be confined mainly to problems of utilization.

Within the vast region stretching from Pakistan to Korea on the mainland of Asia and including the islands of Ceylon, Indonesia, the Philippines and Japan, there are extremely wide differences in the climatic and soil conditions influencing agriculture. As a result, there are exceedingly numerous variations in the choice of crop and livestock enterprises by farmers and in the size of farms. Historical factors have also given rise to many differences from country to country and from district to district in social systems affecting land tenure and the position of farmers in the society. In spite of these many variations, both large and small, certain conditions and certain problems are faced by most nations in the region in their attempts to improve the utilization of their land and water resources. The following statement is limited to a brief outline of some of the major problems.

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[1] The sections on "Land resources and problems of utilization" and "Forest and fisheries resources" are prepared by the Food and Agriculture Organization of the United Nations.

Problems Arising from the Close Settlement of Agricultural Land

Almost every area of land in the region that is suitable for agricultur is densely populated by farmers. Where the climate is comparatively dr throughout the year, the land cannot be cultivated so intensely, nor settle so closely, and in some areas only nomadic grazing is possible. Som areas are too mountainous and others too arid for successful agriculture Large plantations producing mainly commercial crops for export occu in some countries, in addition to the family-sized farms, particularly i the tropical areas. In spite of these and other variations, however, typica farms in most of the region are of one or two hectares. Power fo agriculture is typically furnished by men alone or by men with the ai of cattle or water buffaloes.

In most of these areas the farmers do not yet use commercial fertilizers pesticides, or other modern aids to good farming, and tools and machine are simple (though ingenious) and of traditional types. The farmer make little use of modern science in their daily operations. These observations apply with varying force in different areas, and probably are leas applicable to Japan and the former Japanese dependencies, where muc commercial fertilizer is used and science contributes a great deal to th practices followed on ordinary family-sized farms.

Even where modern science is little drawn upon, however, the agriculture of the region is carried on with a high degree of industry and skil Prior to the rise of modern science and the development of scientifi agriculture in western countries, the agriculture of the region was perhap the world's best, from the point of view both of efficiency and of th kind and quality of its products.

There is a causal connexion between the methods of agriculture i use in the region and the small size of most of the farms. Where han methods are used there is a distinct practical limit to the amount o land that can be farmed by one family. The larger the family is, th larger the farm can be but, in general, as long as the traditional method of most of these areas are in use there must be a farm family for ever one to three hectares in order to keep all the land in cultivation. Countri where the land has been fully occupied by farmers while hand method were in use will therefore certainly have a dense farm population, an the standard of living will be in keeping with the low income that suc a family will furnish. This also applies to areas where the land is organize in large plantations, the difference being only that the agricultural population consists of large numbers of farm labourers rather than of sma farmers.

There is strong evidence, however, that the average size of farm i any particular part of this region is somewhat smaller than the mo efficient size, even when present farming methods are used. Farme produce more efficiently on the larger-than-average farms. No doubt would be too much to expect a farming community to be organized the basis of the most efficient size of farm or of the size that might be handled by the most efficient farm operators. Farm operators vary in managerial ability, as well as in personal strength, industriousness, and good fortune. The rather wide variation that exists in the size of family-operated farms in any typical farming district of the region is a reflection of factors such as these. This fact is of considerable importance from the point of view of agricultural policy, as the maintenance and creation of large numbers of farming units in which family labour is effectively utilized is generally recognized as a desirable economic and social end.

Small surplus of production above the needs of producers

On the average farm in the region, operated in the traditional manner, it is estimated that only about 30 per cent of the product is available for sale. In spite of the most intense and ingenious efforts of the cultivator, the total production on such a farm is so small that more than two-thirds of it must be consumed by the farmer and his family.

Exceptions occur where most of the land is in one crop (not always a good crop), which must be exchanged in order to obtain a livable diet as well as other consumption goods. This does not necessarily mean, however, that the farmers in such an area are better off than the general run. In areas where the soil and other conditions are particularly favourable, the proportion of products sold is also much higher than the average, while it is much lower in the poor areas. These latter differences are, of course, reflected in the comparative wealth or poverty of the farmers, those on the more productive lands of a given agricultural area being more wealthy than farmers on the poorer lands of the area.

The small proportion of farm products available above the needs of the cultivators explains in broad outline the economic and demographic structure of most countries of the region. A comparatively small proportion of the population lives away from the farm and engages in non-farm pursuits, because, among other factors, there is not enough surplus food to feed a greater non-farm population. Cities are comparatively few. This situation alone means that the supply of non-agricultural goods and services is low per person of the population, most of which consists of consumers but not producers of such goods and services. Farmers can hardly expect, therefore, that the supply of fertilizers, farm machines, and other requisites, or the services of teachers, extension workers, and other professional people will be so abundant as in regions where the land is cultivated on a more modern basis.

In countries where the production of farm products per farm family is low and most of the production must be consumed at home, the farmers, especially tenant farmers, nevertheless strive to sell as much as possible in order to obtain a minimum of the other necessities of life, in addition to the payment of rent and interest. In so doing they are often left with poor and insufficient food. The farmers' hard-won surplus, in turn, is purchased mainly by non-agricultural labourers, whose productivity and wages are low and who must therefore spend most of what they earn for food. Their standards of consumption of agricultural and other products are generally in line with those of the agricultural majority of the country. Because their standards are low they marry and found families on the strength of very meagre life opportunities. More people are used in performing every task, from tending shop to running errands, than are needed in modernized countries. Their total numbers are therefore sufficient to make it difficult to stretch the farmers' surplus to make it feed and clothe everybody.

This means that non-agricultural people are not well enough supported to enable them to supply products and services of a good quality in a large volume, as is possible in industrialized states where consumption of agricultural products per person is on a higher level. The non-agricultural products and services available to the farmers of the nation therefore tend to be low in quality as well as small in total volume. Teachers, doctors, lawyers, and public officers are often poorly educated as well as few in number. Manufactured goods are dear in terms of a farmer's labour but cheap in value. All these conditions are directly or indirectly related to the close settlement of the land, made necessary by the traditional agricultural methods, and resulting in only a small agricultural surplus being produced above the needs of the cultivator.

In countries of the region where agricultural efficiency has been improved, all the foregoing typical conditions have been changed in varying degrees for the better.

Difficulties of introducing machinery

Where it is possible to hire manual labourers at a low wage, the introduction of expensive farm machinery, such as tractors, tractor-drawn tillage implements, power sprayers and dusters, threshing machines, and so on, is made uneconomical, if the same labour can be performed at all by hand with or without the aid of animal power. From the social point of view, there would indeed be little point in introducing a machine which would enable one labourer (granted he were properly trained) to do the work of forty, while the remaining thirty-nine, still untrained to do anything else but manual labour, existed in idleness but still had to be fed and clothed.

The introduction of large-scale machinery on family-operated farms is also prohibited by its high cost in relation to the value of the capital that a farmer can accumulate on the typical small farm of the region. Even a small tractor may be worth five or ten years' wages of the cultivator. He could never pay for it out of the value of the one-third, more or less, of his product that he sells.

This is why the use of tractors and machines of similar size and cost in this region is confined almost entirely to large-scale projects run at overnment expense or to plantation enterprises where such machines erform work which could not be done at all in any other way.

Farm implements and tools are, however, subject to improvement in is region. If the development begins with the improvement of hand ols and animal-drawn implements now in use, and proceeds gradually, nd is a part of a much broader effort to educate and advance the entire opulation, then the labourers displaced by the improved implements can nd other work which they will be qualified to do. As a whole people radually acquire new skill and better tools and increase their production er person, wages rise, making economical the introduction of still more ficient tools. The process of development is thus a spiral, which starts owly and accelerates as it revolves, and it must be powered by a nationide educational and training effort. The improvement of agricultural nplements has actually proceeded in varying lengths in the different ountries of the region, accompanied by corresponding degrees of general conomic development.

There are certain types of large implements which are adapted to ommunity use and can be introduced much earlier than those which are sable only by individual farmers. These include, for example, power umps for use in irrigating and draining land. Furthermore, through the se of machinery centres, it may be possible in favourable circumstances o employ some power machines on a number of farms, no one of which ould economically possess its own unit.

ong-term process of increasing the area of productive land per farm family and the production per unit of area

In most of the countries of the region the uncultivated land that would e worth putting into cultivation is limited. Most countries cannot, thereore, plan to augment the size of the average farm to any considerable xtent through the reclamation of new land, since the land in cultivation o greatly exceeds the available unused land. Even where additional land ould be available if cleared, irrigated, drained, made free of malaria, r otherwise ameliorated, the question arises as to whether or not the ere addition of land to the total in cultivation will result in any significant nprovement in the average production per person on the land, and will us affect to a material extent the general aspect of the economy.

In most countries of the region populations tend to increase to fulfil the vailable life opportunities, as defined in accord with the standards of fe of the population. If nothing happens to change these standards, hen some farmers move out of their villages into a newly opened area, e remaining population can and probably will fill the vacant space in few years. Meanwhile, the new settlers, using the traditional methods nd settling on farms of the traditional small size, probably will have opulated the new area to its limits under traditional standards. The net esult would be a larger national population but of people little or no etter off than before.

Because of the above probabilities, the role of reclamation in th national effort to improve land utilization should be incidental to a effort to fit the population to use more efficient methods of agricultur and to utilize more land and water *per person.* If reclamation occur after a population has been enabled, through education and training, t use better tools and methods, then the movement of settlers to a new are can and should be utilized to settle them on bigger farms where bette tools and methods can be used; and the spaces they have vacated the can and probably will naturally be used to enlarge the farms in olde areas, or the remaining farmers may operate farms of the same size bu with fewer labourers. This type of adjustment leads to improved production and consumption *per person,* which is the only means to a improved general level of living for the people.

Gradually increasing the amount of land per agricultural worker, including an increase in the actual average size of farm, is still a possibilit even where little or no new agricultural land is to be found. This i brought about, as indicated above, through the use of gradually improve tools and implements, together with improved agricultural stocks, material and methods of all kinds. Part of this improvement results in a greate production per unit of land than before. Part of it increases the area o land and water resources that one family can manage or reduces th auxiliary labour that a family must hire in order to manage a give area. In any case the result is a larger production of agricultural good per person on the land, such as has been achieved in some countries o the region.

The degree to which population increase can be held back in favou of increased supplies per person depends on the rapidity with which th general standard of living, the group's appraisal of what constitutes life opportunity, can be raised to a higher level. Sudden improvements i living conditions or in factors of production that are imposed from outsi and have required little or no increase of effort or improvement of skil or standards of life on the part of the general population probably ca be expected to be registered mainly in a population increase, with only little change in the condition of the average man. This underlines, agai the desirability of carrying on a programme of land improvement onl as an integral part of a general programme of agricultural improveme and this, in turn, as part of a concerted national effort toward bett education and training of all the population.

Problems Arising from the Fragmentation of Holdings

In many parts of the region, though not in all, farms comprise a numb of non-contiguous parcels, generally scattered in all directions from th farmstead, which in these circumstances is generally situated in a villag The problems arising from this condition are treated fully in the rece FAO publication, *The Consolidation of Fragmented Agricultural Hol* *ings*. What has been said in that publication applies to much of Asia and the Far East.

Approach to the consolidation process

Experience in the consolidation of scattered holdings has been gained in many parts of the world, but the process is difficult and expensive, though often well worth the effort and the expense.

A word of caution will be added here: consolidation, as a method of improving the efficiency of use of land and water resources, is best undertaken as part of a programme of general agricultural improvement. Otherwise, the economic causes that may have helped to bring about the original fragmentation may persist and shortly restore the fragmentation that has been so laboriously corrected.

In a developing or improving economy the farmers are in process of improving their efficiency. This has the twofold result of releasing an increasing proportion of the farmers' children for new pursuits, for which they move into the towns and cities, and at the same time making it possible for them to be fed and clothed in the towns a little better than they would have been had they remained on the land.

In the circumstances of a developing economy, therefore, all the heirs of a farmer will not often wish to live on the farm and to split it up for the purpose. In these circumstances, too, land as an immediate source of wealth becomes one among many sources, and may not be adhered to with the tenacity that characterizes an economy where a bride's dowry is often an actual fragment of land, which she adds to the family holdings of the husband when she marries. As better agricultural methods become available, too, the disadvantages of small and scattered parcels to the cultivator become more painfully apparent than before, and the market for badly fragmented holdings will probably suffer correspondingly. For these reasons, a governmental effort to consolidate agricultural holdings is much more likely to yield permanent results in a developing economy than in one which is still at rest in the traditional state.

The foregoing argument takes into account only economic causes of fragmentation. As indicated in the FAO publication previously referred to, legal provisions that tend to promote fragmentation may also require modification.

Problems Arising from Tenancy Conditions in Some Areas

Conditions under which the cultivators hold the land vary widely in various parts of Asia and the Far East, both within and between countries, and less generalization on benefits or evils of tenancy is justified than is often encountered in print. Very much land in this region is held by independent farmers in free and complete ownership. Other land is operated by tenants under a variety of arrangements with the landowners, and the landowners vary all the way from being close relatives of the tenant to being the government itself.

The desirability of a tenure condition as a means of utilizing land and water resources should be subjected to three criteria. First, are the shares of the proceeds of production that are received by the tenant, landlord, and other parties to the landholding in proportion to their respective contributions to the productive process? Second, is the arrangement such as to provide the parties to the tenure with a sufficient motive for maintaining and improving the holding? Third, does the arrangement furnish a framework for a free society, in which the individual is not held in check by class distinctions and is able to make his talents count in terms of economic and social advancement for his family?

Economic tenancy arrangements

The above-mentioned criteria should not be applied in the abstract to whole tenancy systems, but should be applied in the actual and factual investigation of existing tenure situations in particular places. The technique of farm management analysis has been successfully used in applying the first criterion to tenure situations as, for example, in China.[2] In applying this technique, a study is made of the receipts and expenses of tenants and landlords on a sample of farms in the area concerned. Such studies may be made wherever there is a question of the equity of the rent payment in reference to the contributions made by the tenant and landlord.

The same type of study, with special attention to the security of tenure of the farm tenant, will aid in determining whether the system provides sufficient incentive for maintaining the land and water resources of the holding.

Plantation farming

The third criterion of a tenure system is more difficult to apply, but should be seriously considered in reference to the plantation farming systems whereby special crops, generally for export, are produced on a large scale in several of the countries of the region. In the present state of lack of education, lack of mechanical skill, and lack of experience in managing farms which characterizes the rural population of the areas in question, it may be true that these specialized crops cannot generally be produced so efficiently on family-operated farms as on the large plantations.

At the same time there is a danger that the plantation system may result in the setting up of a landed aristocracy or an aristocracy of land managers, with a wide social and economic gap between the great number f hired plantation workers and a few owners, experts and supervisors. The labourers themselves may have but little interest in the enterprise as uch, and there is a serious question whether they have as much incentive o work hard and to improve their skills and position in life as an indeendent farmer, whether tenant or owner, in the same region.

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[2] By the Department of Agricultural Economics at the University of Nanking. See Buck J. Lessing's *Land utilization in China* (a study of 16,786 farms in 168 localities, and 38,256 farm families in twenty-two provinces of China, 1929-1933), Commercial Press, Shanghai, 1937.

Similar questions may well be raised concerning tenure conditions in vhich a great number of ill-equipped tenant families occupy small plots n the large holding of their landlord. This condition, again, may be onducive to the maintenance of wide economic and social gaps between he great numbers of poor tenants and the few comparatively wealthy nd powerful landlords, and there may be little incentive or possibility or the individual tenant to improve his family circumstances through ncreased industry and improved husbandry.

It should be noted that export crops are not produced exclusively on he plantations. In some countries in the region a considerable proportion f export products is produced by the small farmers in addition to that roduced on the plantations.

Method of approach to tenancy problems

Caution is needed lest the impression be given or received that a change n tenure conditions alone will immediately create a startling improvement n the situation of the rural population. A comparison between the proucing and consuming power of the average tenant of any particular ype in the region with that of the same type of tenant in a more modernzed region will immediately reveal that tenure itself is not the main ifference. For this reason, improvements and reforms in tenure are best ndertaken as part of a general and profound effort to lift the level of nlightenment and skill of the whole population. Otherwise, the benefits vill not seem very great in the end, and the same economic causes which stablished an undesirable tenure situation may soon operate to establish anew.

At the same time, an undesirable tenure system, if uncorrected, may rgely prevent the success of efforts to improve land and water utilization nd conservation and other aspects of agriculture.

Problems Arising from Land Taxation Policies

Taxation of land has long been a recognized source of government evenue in many parts of the region, as well as in other parts of the orld, and has had its effects on land utilization at various times and aces. In parts of China, for example, extremely high taxes levied in the ast by local governments on fertile lands far from centres of population ad encouraged the growing of opium, the only crop of sufficient value pay the tax. Throughout China there was a more general inequity in xation brought about by the fact that not all land parcels were registered on the tax rolls, so that the owners of registered parcels paid their own taxes plus those that should have been paid by the unregistered owners Before the Japanese war a programme of registration and mapping o land parcels had been begun and had already been finished in som counties. This often resulted in a gain of as much as one-third in th area of taxable land on the tax rolls.

In other countries, as in Burma, land taxation has been administere on the basis of complete and detailed maps of land holdings togethe with an elaborate assessment system designed to scale the annual tax t accord with the relative productivity in the given year of the variou taxed parcels. This example, together with others drawn from countrie where government administration was most highly organized, shoul dispel any notion that land taxation was carelessly or inequitably administered in all parts of the region.

At the present time, many governments in the region have undergon or are undergoing various fundamental changes, and methods of managin the land tax are undoubtedly subject to change along with other feature of government. In view of this fact it may be worthwhile to point ou that perhaps the central characteristic of land taxation in the region whether administered well or badly, has been the fact that taxes wer generally levied or imposed by a central or superior governing authorit and only collected through local machinery. The farmers have paid taxe but have not "raised money" for their own objects. Although in som countries, as in Burma and Java, the local farmers have actively assiste in the process of determining the relative tax capabilities of land parcel most farmers in the region have not, by and large, had much influenc on the expenditure of tax moneys, or on the amount of taxes raised.

This fact has represented a land utilization problem of central importance, because it has meant that tax moneys have tended to be spen more for the purpose of the central or superior governing authority tha for local roads, schools, agricultural research and teaching, and othe objects that would advance the efficiency of the rural people in utilizin their resources.

The system whereby the authority to raise money through taxation fo local benefits resides in and is exercised by the people of the local distri has been used so little in the region that there may be hesitancy in tryin it; but the widespread desire on the part of the people of the regio for the benefits of general and technical education and for such conveniences as roads might result in the farmers raising more taxes annual in order to attain these benefits, if they had the power to tax themselve than are now imposed upon them from above for such purposes. If s this would be a factor contributing signally to the improvement an intensification of land and water utilization, since the financing of school roads, and agricultural research and teaching institutions is an underlyin necessity for this result.

Problems Arising from Agricultural Occupation of Areas Unsuited to Farming

In Asia and the Far East, as well as in other parts of the world, the occupation of land for continuous agriculture has proceeded on the basis of trial and error. As land which was physically capable of being ploughed has become available through the centuries to peoples who had learned the technique of plough farming, it has been settled and cultivated. Not all the land so settled, however, has proved productive enough to support the people at the standard to which they were accustomed or to maintain the buildings, cattle, and other capital items that were needed for continuous cultivation. Land which cannot meet these requirements may be said to be submarginal for farming.

When land is submarginal for farming the farmer who depends on it for a living can continue to occupy it only by accepting a level of living that is far below the average for his group. In most of Asia and the Far East, the level of living of the average farmer is already too low to be reduced and still furnish enough food for a year's use. The abandonment of submarginal land is therefore to be expected, and there are indeed large areas where no plough farming is carried on although ploughing would be physically possible.

Submarginal land, however, seldom remains out of use continuously if it is physically open to cultivation. New attempts to establish farms on such land, leading to new failures, continually occur.

Shifting cultivation

Shifting cultivation should be distinguished from cultivation of submarginal land. Shifting cultivation may indeed be conducted on lands that would prove submarginal for settled farming, but it may also be conducted by a people who have not mastered the technique of plough farming though they occupy lands well suited for it. Shifting cultivation may in some circumstances develop into settled agriculture which includes a long-term rotation between tilled crops and forest or tree crops, and might be conducted on as commercial and scientific a basis as other agriculture.

Shifting cultivation may entail merely the shifting of cultivation to different sites in the forest while the cultivator's house remains fixed in a tribal village, or it may mean that the cultivator moves his house from one site to another in the forest. In any case, the land of the general area provides the cultivator with a living that measures up to his generally very primitive standards, but only if the cultivator clears a new patch as soon as the fertility of the last clearing has become exhausted.

Shifting cultivation is, of course, disastrous to stands of valuable timber if the rate of clearing is at all rapid. It may also promote soil erosion if conducted by imprudent methods or on soils which are especially subject to erosion. Nevertheless, there are peoples in the region who are situated on land from which a living could be got only by shifting cultivation, and others whose culture has not yet embraced the skills of permanent agriculture. Furthermore, not all the forests in the region are valuable enough for timber to justify putting a ban on their use as sites for shifting cultivation.

Shifting cultivation, like permanent cultivation, may be conducted in suitable or unsuitable areas and by good or poor methods, and should not be condemned outright as a mode of land use.

Improvement of land utilization: land classification

The first step in adjusting the use of land to its potentialities is, of course, to classify the land according to the uses to which it is adapted. This requires study and mapping of local climatic, soil, and land use factors, as well as of local economic and social factors. It is possible, first of all, to divide a country into broad regions according to the nature of the land and water resources and their utilization. With further study it is possible to map areas, still on a relatively broad scale, according to the uses that would be recommended for them, as forestry, grazing, shifting cultivation, or settled agriculture. With still further study it is possible to make recommendations to individual farmers as to how they might best use the various parts of their farms.

Where the development of land requires expensive works, as for irrigation or drainage, the expense of using the relatively intensive methods of land classification will be fully justified by the results. Such classification, if successful, should prevent errors which have been particularly costly in parts of the region, as in other parts of the world, in terms of loss of land through waterlogging, alkalinity and erosion, not to speak of the more personal losses which have resulted for the farm families on such lands.

Land classification, if properly adapted to local conditions, furnishes a sound basis upon which to devise means for the prevention of land uses that are unsuitable for particular lands, for encouraging more productive uses, and for promoting land use practices that bring high production and conserve the land and water resources.

FOREST AND FISHERIES RESOURCES

Forest

Some 18 per cent, or around 500 million hectares of the total land area of the countries which comprise the Asia and Far East region, is covered with forests.

According to recent estimates, 60 per cent of this forest area can be classed as productive forest; that is to say, as forested lands which are physically capable of producing crops of usable wood. This means that there are approximately 0.25 hectares of productive forest land per person, ranging from 0.12 hectares per person in India and China to somewhat over four hectares per person in Borneo. However, less than half of this forest area is classified as presently accessible, and to make matters worse the distribution of the accessible portion is such that the centres of heaviest population, which have the greatest requirements for fuel wood, housebuilding timber, and other forest products, are furthest removed from the forested areas. The gradual opening up of the inaccessible forest land in Asia would help to relieve urban shortages, if, at the same time, transportation facilities were improved so that the cost of moving forest products from the stump to the consumer could be reduced.

Seventy-five per cent of the forests in this region consist of broad-leaved species, known to the trade as hardwoods. This fact is important because it explains why softwood (coniferous) species, so important to construction and for industrial use, must be imported into the region from other countries.

It is, at this stage, quite impossible to give any reliable figures for the total products harvested from the forest land in this region. On the basis of incomplete statistics, it is possible to obtain a rough idea of the degree to which forest products are utilized by comparing the annual output per hectare from the accessible productive forests of countries reporting to FAO. The following figures are approximate and are given for comparative purposes only. The average figure for Asia and the Far East is 1.8 cubic metres per hectare; for Europe 2.5; for North America 1.2; for the USSR 0.9; for Latin America and Africa each 0.4. But it is not safe to rely on this comparison alone, because the fact that Asia and the Far East stand in second place may lead to dangerous complacency. It is more important to compare the relative levels of annual consumption of forest products in terms of cubic metres of wood per person. North America leads the list with 2.2, Latin America uses 1.3, Europe 0.8, Africa 0.3, and Asia appears to consume only 0.1 cubic metre per person. It should be clear then that the people of Asia use less wood per person than the people of any other region. Admittedly, bamboos often serve for many purposes for which wood is used in other countries, but there is still no room for complacency after looking at this comparison.

The year 1950 saw some increase in the output of forest products in a number of countries. Sawmill and logging operations expanded in the Philippines, Malaya, North Borneo, Sarawak and Thailand. Unfortunately, in many countries the political and economic situation during the year prevented any recovery in forest production. In fact, inquiries were set in train to find extra supplies, inside or outside the region, for the eventual rehabilitation of Korea and other areas. There has been little or no improvement in the supply of fuel wood in countries like India, Pakistan, China and Japan. Timber for housing has not been adequate in those countries, where the construction of homes for refugees has posed a serious problem.[3]

In other words, the forest lands of the region will have to be made in the future to yield greater harvests of forest products. But it must be remembered that this region has suffered grievously from past overcutting and misuse of its forests. The frequent floods and silt flows in many countries of the region serve again as a reminder of the unwise practices of earlier times. Under continuing pressure to supply urgently needed forest products, the countries of this region have in the past overlooked the protective functions of the forests. This must not be allowed to continue.

Plans exist in most countries for large-scale reforestation for improved forest management, for less wasteful conversion in wood-using industries, for modernization of logging and sawmill operations, and for the installation of veneer and plywood, pulp and paper, and fibre-board mills, which will more effectively utilize a greater part of the timber brought out from the forests. Many of the countries in the region have already signed agreements with FAO for technical assistance projects whereby FAO would supply experts to advise on these very problems and to train personnel to handle such new installations as are found to be practical.

During the year, some countries made considerable progress in implementing their development plans for opening up inaccessible forest areas. In Malaya, for example, the Colonial Development and Welfare Scheme has provided funds for the purchase of equipment and construction of access roads into important forest stands. Under the same Scheme funds have been made available in North Borneo and Sarawak. In both these latter countries, private operators have taken initial steps to open up logging activities. Progress has been made in North Borneo towards settlement of a long-standing concession, which is expected to terminate by 1955, thereby increasing opportunities for more private operators.

Several countries have taken advantage of the special technical and economic missions of the United States to the extent of applying for funds for purchase of modern mechanized equipment for logging operations. Similarly, there has been considerable progress in planning and in some instances in actual construction of new wood-using plants. For example, Thailand has been planning the construction of a veneer and plywood factory; Malaya has begun construction of such a factory; the Philippines and Japan have increased the size or number of such veneer and plywood plants, and additional funds have been invested in this expanding indutsry.

There is a greater interest in construction of pulp and paper mills and expansion or reconstruction of old installations. Interest in new mills in this field has been shown in the Philippines, India and Thailand;

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[3] See *infra,* section on "Forest products" in chapter VIII on "Food and Agriculture."

expansion of old facilities has been making good progress in Japan; with the improvement of conditions in Indonesia, the initial step has been taken towards carrying out plans for a pulp and paper mill there.

Several countries are interested in wallboard manufacture and are having experts investigate the practical possibilities for such installations.

Perhaps one of the most significant features in a number of countries, notably India, the Philippines, Thailand and Pakistan, has been a revival of interest in the planting of trees. The response has been so promising that foresters have expressed the hope that if this interest can be sustained and properly channelled, it may be possible greatly to increase the area of plantations of fast-growing species to help meet the urgent need for fuel wood. In this connexion, Japan, long famous for active reforestation work, increased its budget provisions for tree planting during 1950. The Philippines continued to make excellent use of the reforestation tax money derived from logging operations to build up its nursery and plantation programme. More of this sort of thing is needed.[4]

Fisheries

In speaking of fishery resources there is a tendency to think only of he fish stocks. This, however, is a faulty way of thinking, especially in espect of inland waters where stocking takes place and the production s not a function only of the stocks naturally found on the grounds, but of the introduced stock as well, influenced by artificial feeding. This is rue not only of cultural operations in enclosed bodies of water, but also f stocking operations for open waterways. The fishery resources thus must e considered from two points of view: first, the composition of the fish tocks; secondly, the real and potential production of the waters. Further, distinction must be made between the fresh-water, brackish water, and marine resources, the first two usually being grouped together for technical nd other reasons.

In the main the fishery resources of this region are tropical and subtropical; but in saying this the resources of the north-eastern corner China, Korea and Japan) are excluded. The fresh-water resources nclude some cool and cold sectors, especially in the mountainous regions, ut in the main, so far as fishery exploitation is concerned, the resources re of warm-water type. They include carps, catfish, snakeheads and other istinctive species. Although there are local specializations of this fauna, is generally fairly homogeneous throughout the region, but variable in he density of its occurrence. There are important concentrations in Bengal, Cambodia and China. Borneo also has important endemic fauna. These resources are exploited at present by capture operations and by cultural methods, and generally the exploitation is extensive and effective, but there is considerable scope for development. There is a great total area of water at present neglected or only partially used which could be brought into effective production by the introduction of proper management methods, either for capture or for cultivation. Particular mention must be made of the paddy-fields, of which increasing use is now being made for fish cultivation as a supplementary activity.

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[4] Available figures on utilization of forest products for 1948 and 1949 are given in AO's *1950 Yearbook of Forest Products Statistics.*

The brackish water resources of the region are very great. There is a common group of mullets, laits and crustacea throughout the region, in addition to which there is *Hilsa* in the west and *Chanes* in the east. These species occur in the estuarine and associated marsh areas of the river systems of the region. Considerable cultivation takes place in some areas, in the Philippines, Java and India, but with much variation in the technical development of the methods. Capture operations bearing on these resources are to be found everywhere, and reach phenomenal proportions in such situations as the Gangetic delta and the mouth of the Rokan (Sumatra). Although it is possible that the brackish-water catch is already considerable, there is much scope for development, especially in cultural operations, for which relatively vast areas are available.

The area of sea accessible to the countries of this region is of course very great, and there is no doubt that the fish stocks which inhabit the area are considerable. The area available for demersal stock is naturally less extensive than the area available for pelagic and mid-water stocks. The demersal stocks are remarkably homogeneous in composition, consisting of lutjanidae and other percomorphs, with special groups in certain situations, as, for example, the Bombay Duck in India. There is no assessment of the total area, or of the strength of these stocks, but there can be no doubt that the catch can be increased by various technical improvements of the equipment. The pelagic stocks comprise two groups which at present are of great importance, namely the mackerels and the clupeoids. Among the former, Rastrelliger species is heavily fished in India (Indian mackerel), Malaya and Indonesia (Kembeng), and Thailand (*pla thu*); among the latter the oil sardine of India and the complex stolephorus group (*bilis* in Malaya, *dilis* in the Philippines) figure largely. These two groups are generally counted as neritic pelagic that is as inhabiting a narrow zone parallel with the coast. In addition there are oceanic pelagic groups of as yet unassessed importance.

Problems of development

The fisheries of this region can undoubtedly be developed by expansion and intensification of the operations and by technical improvements in the methods. Cultural operations can be introduced to considerable area of water, both permanent and temporary, which at present are neglected and the rate of production from areas at present cultivated can b increased in many instances by the improvement of methods. Inland capture operations would almost certainly respond with larger and bette yields by the introduction of appropriate management measures. Marin fisheries may be extended into other waters, and brought to bear on other stocks, by the introduction of new equipment, especially by mechanization. Such development would also require the availability of better knowledge of the stocks. The methods of handling, processing, marketing and distribution could all be improved by the introduction of better standards and improved equipment, and this would mean that a greater proportion of the total catch would reach the consumer and would be in better condition for consumption.

Developments such as these will necessarily require substantial changes in the industry, by way of improving the technical proficiency and economic status of the operatives, and these internal developments will contribute to the rate of development of the industry. The programme must therefore be seen as a whole, involving various types of action by government and the industry.

Technologically the developments are hampered by the lack of equipment and the lack of skill among the operatives, and this in turn is caused by a lack of finance which, however, is due to the general status of the industry as a bad risk. Many observers believe that the first step must be the provision of facilities for technical instruction with, simultaneously, the setting up of arrangements for financial and technical assistance for the procurement and operation of equipment. The technical instruction would have to cover a wide range, including what is understood by the term "extension services" in relation to cultural practices to be employed on small bodies of water by farmers. A programme such as this, accompanied by a general socio-economic plan to assist the fishermen to overcome their problems of finance, procurement of producer supplies and so forth, would undoubtedly bring appreciable early results. But in addition there must be programmes of research, in biology and the related sciences (by which the resource may be understood) and in economic and technical fields, to analyse the non-biological problems of production. On the other hand, some observers contend that the most important and most urgent requirement is overhaul of the marketing system; they argue that an increase in ice supplies, development of transport equipment, and the establishment of well-equipped, modern market premises will facilitate the movement of supplies and induce heightened demand which will then lead to improved production. These arguments are undoubtedly sound and, whilst the particular programme for each country and each locality must be worked out in terms of its own circumstances, it would seem that effective development implies the adoption of some elements of all of these programmes.

IRRIGATION

Use of Water Resources for Irrigation

Irrigation denotes the application of water to agricultural lands by artificial means as distinct from natural precipitation — rain and snow.

The need for irrigation depends on two factors: the availability of natural precipitation in respect of quantity and distribution during the crop season, and crop requirements. It is possible, in many instances, to select plants the water requirements of which lie within the range of available rain and snow fall. Through centuries of experience people within the region have learned to cultivate, in different areas, the kind of crops best suited to the prevailing conditions of soil, climate and rainfall. Though natural precipitation within the crop season of a *normal* or good year will meet the crop requirements, the variations in the amount of precipitation from year to year, and its distribution from month to month often do not satisfy the actual demand.

With the present large population in the areas available for cultivation, characterized by the high man-land ratio, a certain and increasing yield of agricultural production is essential. This can be secured only by control of the water supply to the crops. Examples of this are to be found in the irrigation of paddy in Malaya, Java and some parts of Thailand where the total rainfall during a crop season may be abundant, but where uneven distribution makes irrigation desirable. Again, due to the pressure of population, irrigation has made possible the cultivation of food grains on hitherto unproductive areas. An instance of this is the vast irrigation system of the Punjab province of India and Pakistan, covering an area of 6.7 million hectares, which has an average annual rainfall of only 130 millimetres. Any programme aimed at increasing the production of food grains for the growing population, as well as cash crops, is receiving the highest priority in many water-resource development projects of the countries of the region.

The principal zone of precipitation in the region is near the equator and covers Java, Sumatra, Borneo and the southern part of the Malay Peninsula. Here precipitation, in its broadest sense, occurs every month throughout the year. The average annual precipitation ranges from 2,000 to 4,000 millimetres. For the cultivation of paddy, irrigation is desirable because of the variation and distribution of rainfall. Further north, in Thailand, southern Viet-Nam, Burma and India which have marked dry winters and wet summers, the rainfall is primarily influenced by monsoons. The average annual precipitation ranges from 500 to 3,000 millimetres, of which nearly 80 per cent falls within the wet season from June to September. Natural precipitation is considered sufficient only during wet years and when distribution is very favourable for cultivation and growth, i.e., during the hot months for paddy, and during the cold months for wheat, maize and millet. In general, irrigation is considered necessary to obtain yields except in portions of Assam in India, Bengal in East Pakistan and on the Irrawaddy delta of Burma, where rainfall is usually abundant and where drainage is often required. In West Pakistan and the Rajputana desert of India, however, the dominating dry air descending from the north-west across the arid plateau of Afghanistan and Baluchistan yield little rain, even during the summer months. The average annual precipitation is only 125 to 250 millimetres. For the growth of any crops here, irrigation is absolutely necessary.

In China, following the general pattern of monsoonal distribution, winter precipitation is extremely scanty in the north, while an appreciable amount falls in the south. The average annual precipitation decreases in magnitude from south-east to north-west and ranges from 1,750 to 100 millimetres. On account of variation and distribution, summer precipitation falls short of the optimum requirements of summer crops. Droughts in the areas outside of river valleys and deltas, where rainfall can be easily supplemented by diversion water from streams or pumping from wells are quite frequent. They are particularly serious in the north-western part of the country where summer rainfall is scanty.

The Philippines and Taiwan receive fair amounts of precipitation from both monsoons. The distribution, however, varies markedly from month to month and from place to place. For example, in the island of Taiwan the annual precipitation varies from 400 mm. near the coast to 8,800 mm. in the hills, and the monthly rainfall at some locations varies from 2 to 800 millimetres. Here irrigation supply is deemed necessary to obtain constant yields of crops.

The sources of water supply for irrigation include surface runoff from rivers and underground waters. No estimate has been made of the total quantity of underground water available, although in many countries an important portion of the irrigated area is supplied from this source.[5] That portion of the surface runoff available for irrigation depends upon the quantity that can be economically conserved. The Central Waterpower, Irrigation and Navigation Commission of India has estimated that 60 per cent of the total surface runoff of all the rivers of India can be made available for the development of irrigation, and the Irrigation Department of Burma places the figure at 75 per cent for the Irrawaddy River. The runoff available for the development of irrigation in some countries of the region, computed from mean annual runoff data of the major rivers and taking the utilization factor as 60 per cent, unless otherwise specified by the countries concerned, is listed in table 1.

The gross amount of water required for irrigation, including evaporation, seepage, conveyance and other losses, varies according to soils, crops and climatic conditions. The gross water duty (expressed in depth on the land) of crops conventionally levied in countries of the region under consideration is also listed in table 1. From this the possible extension of the irrigated area of Burma, Ceylon, China, India and Thailand is calculated according to the available runoff. Considering that underground waters have not been utilized and that the figures of available runoff of some countries cover only the major, not all, rivers, the estimate may be on the low side. Comparing these figures with the arable area

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[5] 28.4 per cent of the irrigated area in India receives its water from underground water and practically all irrigated wheat fields in north China obtain water from wells.

Table 1. Utilization of Water Source for Irrigation

Country and rivers	*Percentage of catchment area of rivers under consideration to total area of the country*	*Mean annual runoff of rivers under consideration (million cubic metres)*	*Present utilization (million cubic metres)*	*Percent of present utilization to runoff*	*Runoff available for irrigation (million cubic metres)*	*Average[d] water duty presently used for irrigation (millimetres)*	*Possible extension of irrigated area (1,000 hectares)*	*Total arable[e] and potentially productive land (1,000 hectares)*
Burma								
Irrawaddy	61	428,000	3,630	0.85[c]	318,000	680	46,800	14,400
Ceylon								
All rivers	100	69,500[a]	4,580	6.60	38,900	1,900	2,040	2,079
China								
Hai, Huai, Pearl, Yangtze, Yellow	36	1,943,000	346,000	..	958,000	800	120,000	91,040[e]
India								
All rivers	100	1,673,000	91,300	5.45	949,000	460	260,000	160,967
Thailand								
All rivers	100	181,000[b]	9,500	5.25	103,000	1,580	6,510	4,751[e]

Source: Replies to questionnaires on Irrigation Drainage and Waterpower 1950, and ECAFE Flood Control Series No. 1, *Flood Damage and Flood Control Activities in Asia and the Far East.*

[a] Computed from the mean annual runoff of forty rivers and the proportion of the total catchment area of the forty rivers to the total area of Ceylon (41.5 per cent).

[b] Computed from mean annual rainfall of Thailand and taking the runoff co-efficient of the Chao Phya River basin for the whole country.

[c] Practically all of the irrigated area of Burma lies within the Irrawaddy River basin.

[d] For Burma and India, computed from total volume presently utilized for irrigation and the total irrigated area; China, mean value of selected irrigated area; Ceylon, mean duty for Maha and Yala rivers given by Irrigation Department; Thailand, duty for paddy given by Irrigation Department.

[e] United Nations, *Statistical Year Book 1949-50*, p. 95-96. Arable area includes land planted to crops, land temporarily fallow, temporary meadows, garden land and area under fruit trees, vines and fruit-bearing shrubs; potentially productive area indicates unused land reported potentially productive. The figure for China and Thailand includes arable land only.

including the area unused but potentially productive of the countries under consideration, it shows that sufficient water is available for the development of irrigation in those areas. This statement may also hold true for other countries of the region when considering the distribution of annual and seasonal rainfall over the whole region, probably with the exception of West Pakistan and Sinkiang in China. The economic limit of future extension of irrigation is, however, to be decided by cost and benefit considerations for which no data is available at present. As far as the extension of irrigation for the production of foodgrains is concerned, however, many countries hold the view that self-sufficiency in food should outweigh other considerations.

Present Utilization

The total area under irrigation in the AFE region, according to the latest statistics available for the countries concerned, amounts to 82 million hectares, which comprises approximately 28.8 per cent of the total arable area of the region. This percentage does not give an exact indication of the extent of irrigation development, as the arable area includes that for crops such as tea, coconuts, cocoa, mulberry and others which generally do not require irrigation. Taking the area under food grains, cotton and sugar cane only, the percentage of irrigated area is 45.7 per cent. The total irrigated area in China is computed from the total cultivated area multiplied by the percentage of irrigated area as given by Buck, which is worked out by the sampling method. If this estimate, which amounts to 43 million hectares, is correct, China has the largest irrigated area in the region. Japan leads the AFE region in the percentage of irrigated to total arable area (48.2 per cent). As far as irrigated area *per capita* is concerned, Pakistan shows the highest figure of the region, namely 0.116 hectares.

Comparing the areas under irrigation before and after the Second World War, an increase ranging from a few thousand to over half a million hectares is noted in many countries. In Burma and Japan, however, there has been a marked decrease on account of the war. From 1946 onward a steady increase of irrigated area has been recorded in almost every country of the region, ranging from 5,000 to 250,000 hectares annually for the period 1946 to 1947. Judging from the major projects already completed in some countries of the region for which total figures for subsequent years are not available, the annual extension of irrigated area after 1947 would be greater than in 1946-1947. India, with its many river basin schemes now under construction, leads in the region in annual extension of irrigated area.

Irrigation has been practised in the region for thousands of years. The construction of modern weirs, or barrages across rivers, and gates to divert and control the flow of water into systems of canals, however, has taken place mostly in the 20th century. Irrigation in the olden days was

Table 2. Area under Irrigation

(In thousand hectares)

Country	Total[a] land area	Arable[b] land	Total[c] population (1,000s)	Irrigated area and percentage of irrigated area to arable land[d] (percentage given in brackets) 1938	1946	1947	1948	1949	1950	Area of projects under construction[e]	Area of projects under planning[f]	Irrigated area per capita (hectares)
Burma	67,754[g]	8,754	18,304	611 (7.0)	451 (5.2)	464 (5.3)	537 (6.1)	..	..	–	8	.029
Ceylon	6,484	1,469	7,297	..	223 (15.2)	231 (15.7)	235 (16.0)	241 (16.4)	..	64	..	.033
China (22 provinces and Manchuria) ..	944,420	91,040 (90,197)	463,493	43,260 (46)	..	..	..	..	..	..	..	.093
Taiwan	(3,596)	(856)			.. 568 (66.4)	.. 575 (67.1)	.. 580 (67.8)	.. 599 (69.9)	.. ..	.. ..	.. ..	
India	269,067[g]	123,820	346,000	18,896 (15.3)	19,638 (15.9)	19,889 (16.1)	..	..	..	5,220	11,570	.058
Indochina	73,600[g]	4,700	27,460	699 (14.9)	..	..	..	..	..	88	1,609	.025
Indonesia	190,435[g]	11,000	72,000	4,219 (38.4)	4,312 (39.2)	4,312 (39.2)	4,312 (39.2)	4,312 (39.2)	4,312 (39.2)	84	615	.059
Korea, south....	9,363	2,649	20,200	..	600 (22.7)	..	..	..	..	..	..	.030
Malaya	13,069	2,129	5,082	35 (1.6)	68 (3.2)	73 (3.4)	80 (3.8)	..	..	140	129	.016
Pakistan	93,499[g]	21,100	74,437	7,700 (36.6)			8,500 (40.2)	..	..	1,720	3,346	.114
Philippines	29,741	8,180	19,498	515 (6.3)	521 (6.4)	521 (6.4)	521 (6.4)	525 (6.4)	540 (6.4)	19	274	.028
Thailand	51,352[g]	4,751	17,981	438 (9.1)	984 (12.2)	598 (12.5)	613 (12.9)	611 (12.8)	648 (13.5)	247	1,208	.036
Total ECAFE		278,582			..	..	..	..	..	..	..	..
Japan	36,616	5,992	82,151	3,185 (53.2)	..	..	..	..	2,852 (48.2)	104	526	.035
Total AFE..		285,584	1,073,909									

Source: [a b c] United Nations: *Statistical Yearbook 1949-50*, pp. 21-22, 95-96.
For latest estimate of the region's population, see *infra*, chapter II on "Population."

[d e f] From replies to questionnaire on Irrigation Drainage and Power 1950, except for China, Indochina and south Korea, for which data are taken from *Economic Survey of Asia and the Far East, 1949*, p. 370.

[g] Including lakes and rivers.

restricted to areas where perennial water could be most easily diverted by gravity from the smaller streams and where flood waters could be distributed to valley and delta lands from the rivers during periods of high water. The lifting of water for irrigation of large areas from natural watercourses, canals and wells by means of water wheels, wooden paddle pumps, Persian wheels and many ingenious bucket arrangements operated by water, animal or manual power, has been practised for many centuries. For the irrigation of higher areas, runoff waters are often stored in constructed earthen ponds or tanks (small reservoirs) where it can be used to irrigate adjacent lands by gravity flow as needed. In India, where modern diversion structures have been installed, the area irrigated from canals thus supplied amounts to only 40 per cent of the total irrigated area. In north Viet-Nam water supply to 70 per cent of the irrigated area is provided by manual labour, by lifting the water into the fields with baskets or by means of other simple tools.

Most of the modern diversions of the region receive their water supply from the uncontrolled flow of rivers. The usual practice is to construct a barrage or weir across a river and to divert the flow into the canals whence, through systems of distributaries and smaller channels, it is carried to the fields. The discharge thus diverted is usually the flow of the river available during the period when irrigation is needed. It constitutes only a fraction of the mean annual discharge of a river, as the larger part of the runoff of the river is discharged during higher stages of flow, including flood periods. In some of the existing systems inundation canals are employed. No structure is provided in the river proper except an open cut and a regulator leading to a canal. Irrigation can be assured only during higher stages of river flow and mainly during the flood season. This system is employed quite extensively along the Indus River of Pakistan and the upper Yellow and upper Yangtze Rivers of China.

In countries like India and Pakistan, where modern irrigation is extensively developed, practically all the low water flow of rivers is utilized for irrigation except in the Ganges and the Brahmaputra. Future development must depend on storage of higher discharges and floods by reservoirs. The cost of irrigation by storage is usually higher than that by diversion. Since water power and navigation can be developed concurrently, and floods also can be controlled, the combined benefits thus derived from such multiple-purpose development often justify such schemes.

Irrigation is not always an unmixed blessing. On account of seepage from the canals and distributaries and sometimes of the excessive supply of water, the ground water table may rise to or near the land surface, thus making vast areas "waterlogged" and unfit for cultivation. Where the subsoil or irrigation water is saline, it may induce an increase of salinity of the surface soil and make it toxic to crops. Along one of the main irrigation canals in the Punjab province of Pakistan, waterlogging is extending down the canal at the rate of 1.6 kilometres annually in an average width of nearly fifty kilometres across the canal. The ground water level in some places has risen fifteen metres in a period of fifty years. Extensive deep-well pumping to remedy this condition is being carried out and an extensive network of drains has been provided at great cost but with little success.

Projects under Construction

New projects for irrigation are being taken up in all the countries of the region except Burma. Among them India leads as far as irrigation development is concerned. At present 135 schemes are under construction, the completion of which will provide irrigation facilities for an additional area of 5.2 million hectares. The large projects, such as the Hirakud Dam (Mahanadi River), Kakrapara Dam (Tapti River), Bhakra and Nangal Dams (Sutlej River), and the Konar Dam (Damodar River), are multiple-purpose in nature. The largest project under construction in Pakistan is the lower Sind barrage, which will command an area of 930,000 hectares. In China, efforts are being concentrated on numerous small projects, on stream diversion, drilling of wells, etc. For the rest of the countries of the region the area to be covered by new projects under construction is much smaller (see table 2).

In planning future development, emphasis has been laid by many countries, particularly China, India and Pakistan, on multiple-purpose reservoir schemes, apart from the smaller schemes of stream diversion. Most ambitious of the schemes are those under investigation in India which, when completed, will provide irrigation for an additional 11.6 million hectares, or an area equal to over half of that presently under irrigation. The largest project undertaken by Thailand, with a loan from the International Bank for Reconstruction and Development, construction of which will commence in the latter part of 1951, is the Chainat Project over the Chao Phya River, which will eventually cover an area of 890,000 hectares.

The importance of irrigation to the economy of the region, in respect of the food problem, can best be gauged from the following considerations. The total population of countries of the region under consideration is 1,073 million and the total arable area is 286 million hectares, the production of which is barely sufficient to maintain a rather low standard of living. The annual rate of population increase has been estimated at one per cent. If the annual increase of food grains necessary to meet the increasing demand is to be achieved by an extension of the area under cultivation, the latter should amount annually to nearly 3 million hectares, or about one per cent of the total arable area. This staggering figure could hardly be realized on account of the scale of work involved, covering such problems as resettlement of vast areas and the productivity of cultivable but unused land. The alternative, or more logical approach, is to increase the unit yield of the land already under cultivation. This can be achieved by the provision of irrigation, besides agronomical means of improvement, including the increasing utilization of artificial fertilizers. The increase in yield of paddy and wheat as a result of irrigation varies according to the available rainfall and ranges from 50 to 100 per cent according to the results obtained in countries of the region. Taking note of the fact that only a very small percentage of the surface runoff is presently utilized for irrigation, the scope for development is tremendous.

WATER POWER

Potential Resources

The potential water-power resources of rivers which are being considered here are only the power resources at sites which can be developed within practical engineering means, and do not include the theoretical power calculated on the basis of total head of river systems and the corresponding discharge. Thus the amount of water-power resources, ike that of mineral resources, can be accurately estimated only after a thorough exploration of all the sites and actual gauging of stream flow. The adoption of a uniform standard of stream flow (expressed as the discharge during a certain period of the year when the flow is always available) is essential in order to enable estimates from countries of the region to be compared.

Except for China (excluding the major part of Tibet, Manchuria and Sinkiang) and Japan, no comprehensive surveys of water-power sites have been made by countries of the AFE region. Figures prepared by government organizations are more or less approximate, and the discharges adopted for the estimates are generally not specified.

Two estimates of the total water-power potential are listed in table 3. The first is an estimate for 1937, taken from *Energy Resources of the World,* which is based mainly on statistics of the World Power Con-erence, and the second has been compiled from more recent estimates ubmitted by governments. The first gives the regional total as 68 million, kw, which is 13.8 per cent of the total for the world. The second is seen o be much higher than the first, with a total increase of 122 million kw or only those countries in which recent estimates are available. This an be explained by the discoveries of suitable sites after actual surveys ince 1937. For example, the second estimate for China is the result of n over-all survey carried out since 1939 of 571 sites in all provinces, xcept the major parts of Tibet, Sinkiang and Manchuria. With the ossible discovery of further sites, following investigations now in rogress, it is clearly evident that even the second estimate is on the onservative side. Taking into account the topography and available unoff of the region, which has the highest mountain ranges (Himalayas) nd the maximum rainfall (at Cherrapunji), it is further evident that a ast potential of unexplored water resources exists.

Table 3. Potential Water-power Resources and Utilization

(In thousand kilowatts)

Country	*Estimated potential capacity*[a]		*Existing installed*[c] *capacity*						*Installed capacity of*[c] *projects under construction contemplated to be completed in*				*Projects*[c] *under planning*	*Existing*[c] *installed capacity per capita (watt)*
	1937[b]	*1950*[c]	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*	*Total*	*1951*	*1952*	*1953*		
Burma	9,000	..	17	13	13	13	13	13	–	–	–	–	42	0.7
Ceylon	400	500	1	1	1	1	1	26	35	10	25			3.7
China	17,650	110,515	1,053 (44)	..	..	596	602		..	..	..	..	..	1.3
Mainland	(16,900)	(107,157)	(786) (44)	(388)	(388)	(388)	(388)	..	..	..	..	..	..	
Taiwan	(750)	(3,358)	(267) (44)	..	..	(208)	(214)	..	..	..	..	..	..	
India	20,000[b]	40,000	442	484	508	516	559	559	2,000	72	91	213	5,400	1.6
Indochina	4,500	1,000	..	1	1	1	1	1	–	–	–	–	63	–
Indonesia	3,309	2,860	107	..	70	74	74	93	45	3	5	16	325	1.2
Korea, south.....	2,240[b]	..	..	62	62	62	62	..	14	..	..	..	..	3.1
Malaya	1,000	..	..	29	29	29	29	29	–	–	–	–	102	5.8
Pakistan		6,000	11	11	11	11	11	21	37	22	15	–	2,809	0.3
Philippines	1,500	1,500	23	32	50	50	50	59	101	1	25	75	1,073	2.9
Thailand	3,000	..	–	–	–	–	–	–	14	..	..	..	64	
Total ECAFE.	62,599						1,402		2,246				9,878	1.3
Japan	5,400	11,980	4,245	6,297	6,344	6,388	6,478	6,554	453	279	19	155	1,308	81.9
Total AFE....	67,999						7,780		2,699				11,186	6.8
Percentage of world total	13.8													

Source: [a] Potential capacity of known sites.

[b] United States State Department, *Energy Resources of the World,* Washington, Superintendent of Documents, 1949, p. 83. Estimate based on Q95 or mean low water flow. Figure for India includes Pakistan, and for Korea includes north Korea.

[c] Replies to questionnaires on Irrigation, Drainage and Water, 1950 and official publications attached to the replies thereof; except for China, Indochina and south Korea, for which see National Hydro-electric Engineering Bureau: *The Water Power Resources of China 1947* and Taiwan Electric Power Co., *Electric Power Development of Taiwan 1948; Indochina Economic Survey 1949*, p. 373; ECAFE, *Electric Power Resources and Needs of ECAFE Countries* (E/CN.11/I&T/32) December 1950

The economic feasibility of water-power developments must, however, be considered in each individual case, and full account must be taken of such factors as accessibility of site in relation to the transportation of materials and equipment for construction, the distance required for the transmission of power, susceptibility of the site to earthquakes, etc. Time is another factor that will influence the economic justification of any scheme, as with the increased demand for power following future industrial development and dwindling reserves and supplies of solid, liquid and gaseous fuels, water projects not considered economical at present may be justified later.

Present Utilization

The total installed capacity of hydro-power in the AFE region in 1949 was 7.9 million kilowatts. The installed capacity is only 4 per cent of total potential, while the present *per capita* installed capacity is less than 7 watts. Except for Japan, the amount of presently installed capacity, the rate of utilization with reference to the potential, and, in particular, the *per capita* installed capacity are exceedingly low when compared with the industrially advanced countries of the world.

Among countries of the AFE region, Japan has the largest installed capacity, amounting to 6.6 million kw, and China and India come next with 600,000 and 560,000 kw respectively. In the other countries of the region where water power has been developed the installed capacity is below 60,000 kw each.

Comparing the capacities installed before and after the Second World War, an increase of slightly more than 2 million kw is recorded for Japan (1938 and 1946), and 42,000 kw for India. In the postwar period from 1946 to 1950 an additional 257,000 kw has been recorded in Japan, 75,000 kw in India, 27,000 kw in the Philippines and 25,000 kw in Ceylon. In Burma, Indonesia, Taiwan and North-east China, rehabilitation of plants damaged during the war constitutes the main activity.

According to a study[6] covering Burma, Ceylon, India, Indonesia, south Korea, Malaya, Pakistan, the Philippines and Thailand, the installed capacity of hydro-electric power during 1949 constituted 33.6 per cent of the total installed electric power capacity in these countries. If Japan, where hydro-electric plants are the principal source of power supply, is included, the percentage increases to 68.5.

Plans for Development

Hydro-electric power development constitutes an important part of the power-development programmes of the region, particularly for those countries where solid or liquid fuel is scarce. In the Philippines, practically all the major power projects under construction are hydro schemes. India's oil resources are limited, and it has been estimated that the present reserve of coal, excluding coking coal, will, at the present rate of consumption, be exhausted in a little over 100 years.[7] Since the Second World War, the ideal of multiple-purpose development of river basins has been actively considered by countries of the region. Many water-power schemes are not economically justified unless irrigation and flood control can be concurrently developed to share the cost, in view of the heavy outlay on the construction of dams for storing water.

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[6] *Electric power resources and needs of ECAFE countries* (E/CN.11/I&T/32), 24 December 1950.

The total anticipated installed capacity of projects under construction in the region amounts to 2.7 million kw, which is 34 per cent of the present total. As hydro-electric projects usually require heavy initial investment, the amortization of which must necessarily be spread over a long period, and since private capital is not readily forthcoming, governments are generally taking the initiative in their development. Further, other problems such as the submergence of areas as a result of the construction of high dams and the attendant problem of resettling the displaced inhabitants, require that larger hydro projects and multiple-purpose schemes be undertaken by governments.

Referring again to the study mentioned earlier, hydro-electric plants and projects "under construction or active consideration" in the countries covered by the study aggregate 1.9 million kw and constitute 62.3 per cent of the total power projects including thermal, diesel and hydro. Among countries of the AFE region, India, Pakistan, the Philippines and Japan are most actively engaged in hydro-electric plans.

Mineral Resources[8]

The knowledge of mineral reserves in the region is admittedly far from being adequate, partly because such knowledge is a function of the extent to which mineral resources have been utilized, and partly because the geological investigation and mineral exploration so far undertaken have been neither intensive nor extensive.

All the governments of the region have shown a keen interest in the development of their mineral resources during the postwar years. This is reflected by a steady post-war increase of mineral output in all the countries, with the exception of those like Burma and Indochina which are still handicapped by continued civil disturbances.

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[7] Central Board of Irrigation, *Hydroelectric development in India,* 1948.

[8] In the *Economic Survey of Asia and the Far East, 1949* a summary was given of the extent and reserves of the mineral resources of the region (chapter XIV: "Mineral Resources and their Utilization"). It is proposed here to present a general survey of the development, especially the postwar development, of these resources.

See also ECAFE documents: *Coal and iron ore studies* (Burma, Ceylon, Federation of Malaya, India, Indochina, Indonesia, Pakistan and Thailand) (E/CN.11/I&T/16); *Coal and iron ore studies* (2nd report) (Philippines, Korea, British Borneo Territories and Hong Kong) (E/CN.11/I&T/35); *Possibility of joint research in treating low-grade coals and iron ores* (E/CN.11/I&T/37); *Coal classification for regional use* (E/CN.11/I&T/38); *Possibility of expanding aluminium industry* (E/CN.11/I&T/29 Annex A).

See also *infra,* chapter IX on "Mining and Industry."

Coal

A healthy trend towards the development of the coal industry in the region has been noticeable in the post-war years. Some countries, which had no production before the war, are making an earnest effort to start an indigenous coal industry while others are planning to increase the production or improve the quality of low-grade coals, and/or to conserve higher-grade coals. In the first category, Burma, for instance, has taken steps to explore both the Kalewa and the Theindaw coal-fields. In Thailand, the Government has started to block out the lignite reserves with the aim of commencing mining operations immediately. A briquetting plant is being planned. In order to establish sufficient reserves to justify capital investment, the Geological Survey Department in British Borneo is investigating both the Selantik-Abok and the Silimpopon coalfields. In the second category, efforts are being made in Pakistan to increase domestic production to one million tons within ten years. In the Philippines, Malangas coals have been tested for coking properties. Japan has shown a remarkable recovery since the war. The 1950 production was almost equal to that of 1936.

Petroleum

The development of petroleum resources since the war has also shown encouraging results. With the exception of Burma, the region as a whole has shown a steady increase in petroleum production. Countries like Pakistan, the Philippines and Thailand, which had no production before the war, are taking steps to explore their prospective oil-fields. A new Petroleum Act was passed by the Government of the Philippines in 1949 to promote the establishment of a petroleum industry. The Thai Government has started drilling in Chiengmai province in north Thailand. The Government of Burma is going to subscribe to one-third of the capital of the Burma Oil Company. In China, India, Pakistan and Brunei, geological and geophysical surveys and testing by deep drilling are being carried out to prove the extension of the known producing areas. Brunei is now the leading oil producer in the British Commonwealth. Indonesian output has practically reached the pre-war level in spite of the fact that some of the pre-war producing fields have not yet started operation. In Japan, as a result of better techniques and a better reserve position, it was possible to obtain, starting in 1949, an increase in petroleum output — a condition unknown since 1938.

Iron Ore

China and India are the largest producers of iron ore in the region. Their production goes almost entirely to supply the requirements of their own steel industries. Although Japan's production has gone up considerably since the war, it still has to depend very largely on imported ores from the Federation of Malaya, the Philippines and Hong Kong, whose ore output is all exported to Japan.

The known reserves of high-grade ores in the Philippines are limited, but the Government has paid serious attention to the treatment of low-grade lateritic ores, of which there are huge reserves. In addition, Indonesia also has big reserves of lateritic iron ores. Although several attempts have been made to mine these deposits, no positive results have been obtained.

Ferrous Metals

Among the ores for the manufacture of ferrous metals, the region is the world's most important producer of tungsten ore (from China), and ilmenite (chief titanium ore, from India). In addition, there are large reserves of chromite in Pakistan and the Philippines, and of manganese ores in India and the Philippines.

China normally produces over 50 per cent, and in some years over 65 per cent, of the world's total production of *tungsten ore*. Burma was once the second largest producer in the world, but since the Japanese occupation and the internal disturbances that followed, its production has declined almost to nothing.

Ilmenite contains up to 32 per cent titanium, which is an important alloy element in high-speed steel. Three-quarters of the average annual world production comes from India. Malaya produces ilmenite as a by-product of tin. As the tin production of this country increases, output of ilmenite has shown an upward trend since the war. Ceylon has also substantial reserves of ilmenite occurring as "black sands" on the beaches.

In Pakistan the mining of *chromite* has so far been almost a monopoly of one firm, but lately quite a large number of new firms have shown interest in starting chromite mining in Pakistan. Production of the Philippines has approached the pre-war level.

India has extensive workable deposits of *manganese ore*. On the average, about 85 per cent of India's production has been for export. With growing demand from its own steel industry, India's domestic consumption will gradually increase. The resources of this mineral, however, should be adequate to meet the demands even if the present surplus production is allowed to be exported for some years to come. The manganese deposits of the Philippines have been mined principally for export.

Non-Ferrous Metals

This region remains the world's most important producer of tin and antimony ores and has some substantial production of copper, lead and zinc. Production of *tin ore* in the Federation of Malaya, Indonesia, Thailand, China, Burma and Indochina accounted up to 1941 for 65 to

73 per cent of the world's total. From 1942 to 1948, the situation changed as a result of the Japanese occupation. From 1948 on, it has gradually regained its old position.

The revival of production in the Federation of Malaya has been most remarkable. By 1948, mine production exceeded the pre-war (1938) level. Production from Indonesia has also gained momentum. 1949 production already attained the pre-war average (1935-1939), after eight new post-war dredges on Banka, Billiton and Singkep started operation in 1948. Thailand's recovery has also been rapid: 10,530 tons were produced in 1950 as compared with the average pre-war (1935-1939) production of 13,765 tons. It is expected[9] that production will reach between 13,000 and 14,000 tons in 1951. Tin-producing areas in China were affected by the Second World War and the civil war that followed, but the Japanese never came close to the main tin-producing areas in Yunnan province. The Central People's Government of China took over this province in the latter part of 1949, and by March 1950 all the mines resumed operations. Burma and Indochina unfortunately could not take advantage of the record price of tin prevailing in the latter part of 1950. As a result of the continued political disturbances, their mine production has been very low.

Antimony deposits occur in many countries of the region, but China is still the leading producer. Post-war annual production from China has been around 5,000 tons.

Burma and Japan were the two leading producers of *copper, lead* and *zinc* in the AFE region. Burma's production of these ores is still low. The Government has shown a keen interest in the Bawdin Mines, and is endeavouring to operate them as a joint venture between the Government and a foreign concern. Japanese production of these ores has shown a steady increase since the war. India produced in recent years around 300,000 tons of copper ore, which yielded some 6,000 tons of metal. The known copper reserves of India are limited, but the prospects of finding additional sources are fair. The Philippines produce copper partly as a by-product of gold.

Light Metals

Though it is technically possible to obtain aluminium from several aluminium-bearing materials, only *bauxite* has proved a commercially successful aluminium ore.[10] The ECAFE region has substantial reserves of bauxite ore, all of which were discovered during the last twenty years.

The largest Indonesian bauxite deposit was first prospected in 1932. Mining of bauxite began in Malaya in 1936. Bauxite deposits were thoroughly investigated in Indochina in 1941. Bauxite deposits of commercial importance were discovered in China during 1947, and in Sarawak during 1949. It was only a few years ago that the Indian Government reported the existence of millions of tons of various grades of bauxite in Madras. There is reason to expect that with intensive exploration, more bauxite deposits will be discovered in this region as geological data suggest suitable conditions for the formation of bauxite to exist.

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[9] Estimates by Thai Mines Department.

[10] Not only alumina, but also silica contents determine the grade of the ore. At present 5 per cent SiO_2 is allowing for commercial ores, but ores with much higher silica content can also be treated. During the war, ores with 12.4 per cent SiO_2 were used in the United States, but their treatment is too expensive for normal times.

In spite of the richness of both known and potential reserves of aluminium ore, the current production of *aluminium* in this region is low. This is undoubtedly due to the fact that the establishment of the aluminium industry depends on many other factors, particularly power. Only China and India are producing aluminium from their own indigenous ore. Indonesian bauxite is mined for export.

Magnesite has been used in recent years in the manufacture of magnesium metal. Such an industry still does not exist in the region, although India, China and Korea have substantial deposits of magnesite. They are used principally for refractory bricks.

Non-Metallics besides Fuels

The world is facing a serious shortage of *sulphur,* and the region has to depend on native sulphur and other minerals (pyrite, gypsum, anhydrite) that could be used as a source of sulphur supply.

Native sulphur is not abundant in the region. Fair-sized deposits have been discovered only in Indonesia, but the locations of the deposits at the top of high volcanoes have so far prevented exploitation on a large scale. The known sulphur deposits of the Philippines are very small. The Pakistan sulphur deposits contain a low percentage of sulphur and arsenic as an impurity. The Commissariat général du Plan of the French Government did not recommend for Indochina the manufacture of superphosphate made with the sulphuric acid because of lack of sulphur. Scattered sulphur deposits have been reported in other countries of the region, but none has been of proved economic value.

The *pyrite* situation is brighter. The Philippine Government has been considering the use of indigenous pyrite for fertilizer manufacture. Pyrite deposits have been found in several places in India. No reserve figures, however, are available. China has one well-developed pyrite deposit located near Nanking. It has been supplying several chemical plants in north and central China, and until 1949, in Taiwan. It is possible that with more metal mines developed, more pyrites may become available as by-products from these mines. Japan has adequate quantities of pyrite to satisfy its own needs.

Pakistan, India and China have *gypsum* deposits of commercial importance. The minimum quantity of gypsum available in the Salt Range in Pakistan is estimated to be around 70 million tons. In addition, the

Khewra deposit of the Salt Range also contains anhydrite. India also has substantial reserves of gypsum deposits, although the quality may not be as good as those in Pakistan. The largest gypsum deposits in China are conveniently located along the Yangtze River and can be easily transported.

This region is not richly endowed with *phosphate* deposits, as half of the world's known reserves are in the United States. They have been found so far in China, Indochina, Indonesia, Christmas Island and several Pacific and Far Eastern Islands. The Haichow deposit of China, though of substantial reserve, seems to have been able to take care of the Taiwan fertilizer plant alone. The Yunnan deposit is of much larger potential value but its development is handicapped by lack of transportation. The Laokay apatite deposit in Indochina is well known in the Far East. Following the war, the Government of France recommended that a triple phosphate plant be located in the Danhim Basin. The phosphate reserves of Indonesia were formerly thought to be insignificant but the picture seems now to have been changed. A proposal has been made to re-erect the plant at Cheribon on Java to produce ground phosphate. The phosphate mining on Christmas Island, a dependency of Singapore, has a long history.

This region is the world's leading producer of graphite (from Ceylon) and mica (from India). The *graphite* reserves of Ceylon are believed to be considerable and with more mechanized mining at depth, the country will be able to maintain a larger annual output at comparatively lower cost of production. Over 70 per cent of the world's supply of dressed *mica* comes from India, where the best-developed mine is now being further mechanized.

CHAPTER II

Population[1]

INTRODUCTION

The settlement, distribution and growth of the population of the AFE countries are closely related to the existing economies of these countries. In the predominantly agricultural areas of this region, rural settlements are highly concentrated in the river valleys, deltas and low-lying plains. Examples of these are the valleys and deltas of the Yangtze, the Yellow and the Pearl Rivers of China, the Ganges Valley and the coasts of the peninsula of India and Pakistan, the Red River and Mekong deltas of Indochina, the Menam delta of Thailand, and the Irrawaddy delta of Burma. The density of these settlements reaches as high as two thousand persons per square mile of land area in the valleys of China, India and Indochina, and stands in each of these countries in sharp contrast with the relatively sparsely settled spaces of the adjacent areas.[2] In some of the countries in the AFE region there is a very high average density of population: Java and Madura had 800 persons per square mile in 1930 and Japan had 580 per square mile in 1948.

The areas of high population density in the agrarian countries correspond roughly to those of high production of staple crops, especially irrigated rice crops. However, the high and mounting density of rural settlements in the areas mentioned constitutes an obstacle to the improvement of agricultural productivity per worker engaged in agriculture, and thus hinders economic progress in general. Agricultural colonization of the sparsely settled and sub-marginal areas of these countries has been considerably handicapped by insufficient capital and inadequate technological methods and often by the resistance of the peasants to resettlement In some areas of high agricultural density the resources currently in use are inadequate, with present techniques of production, to support the existing population. There is a tendency towards an increasing imbalance between population and production in some areas and the creation of a similar imbalance in other areas as population grows without corresponding expansion of the economy. In Japan, on the other hand, industrial development during the period prior to the Second World War resulted in the concentration of about half of the country's population in the urban districts, where they were able to achieve a higher level of living.

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[1] Prepared by the Population Division, Department of Social Affairs, United Nations

[2] See: (1) I. B. Taeuber, "Migration and the Population Potential of Monsoon Asia" in *Postwar Problems of Migration,* New York: Milbank Memorial Fund, 1947 pp. 7-11; (2) Kingsley Davis, "Demographic Fact and Policy in India", in *Demographic Studies of Selected Areas of Rapid Growth,* New York: Milbank Memorial Fund 1944, pp. 35-37; (3) French Indochina: "Demographic Imbalance and Colonial Policy" in *Population Index,* Vol. 11, No. 2, April 1945, pp. 68-80; (4) "Current Estimate of the Size and Distribution of China's Population", in *Population Index,* Vol. 14, No. 1 January 1948, pp. 9-10.

The long-run population trends in the region were discussed in the preceding *Surveys*. The first section of this chapter presents a brief review of recent demographic changes in the AFE countries, bringing up to date the information presented in the preceding *Surveys*. The main part of the chapter is devoted to a discussion of population movements with special reference to intra-regional migration.

In the short run, the redistribution of the population through migration is probably the most important demographic effect of economic development. It accompanies the process of industrialization, diffuses urban social values to the rural areas, and thus may favour the demographic transformation from high to low levels of fertility and mortality.

The discussion of population movements comprises sections 3 to 7. Section 3 contains general remarks on migration, including some references to internal migration and urbanization. Sections 4 to 6 give an account of the magnitude and direction of the migration movements, characteristics of the migrants, and consequences of the movements. Section 7 deals with the forces underlying these movements.

Demographic Trends

Population Estimates and Density

The region covers 19 million square kilometres or 16 per cent of the total area of the world, and contains a population exceeding 1,100 million or approximately 50 per cent of the world's population.

Table 4 gives 1949 estimates of the total population of each country in the region, together with statistics on area and population density. It must be emphasized that for many of the countries these estimates are only rough indications of the general magnitude of the population, because the materials necessary for accurate calculations are lacking.

Fertility and Mortality[3]

Recent trends in the birth-rate and death-rate for the few AFE countries which have adequate vital statistics or relevant indirect data were presented

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[3] United Nations Statistical Office, *Monthly Bulletin of Statistics*, Vol. V, No. 1, pp. 11, 13, 15, 17; Federation of Malaya, *Annual Report, 1948*, pp. 89-90, *Ibid*., 1949, pp. 103-104; Singapore, *Annual Report*, 1948, pp. 20-21; *Ibid*., pp. 19, 21, 27.

Table 4. Population and Area of AFE Countries, 1949[a]

	Population mid-year estimate, 1949 (thousands)	*Area (thousands of square kilometres)*	*Population per square kilometre*
Total AFE countries	1,173,699	18,628	63
British Borneo	948	191	5
North Borneo	*345*	*76*	*5*
Brunei	*43*	*6*	*7*
Sarawak	*560*	*109*	*5*
Burma	18,304	605	30
Ceylon	7,297	66	111
China (including Taiwan)	463,493[b]	9,736	48
Hong Kong	1,857[c]	1	1,857
India	346,000	3,161	109
Indochina	27,460	740	37
Indonesia	72,000[d]	1,492[d]	48
Korea	29,291	221	133
Malaya	6,066	136	45
Malaya, Federation of	*5,082*	*135.3*	*38*
Singapore	*984*	*0.7*	*1,406*
Nepal	6,910	140	49
Pakistan	74,437[e]	943[f]	79
Philippines	19,498	296	66
Thailand	17,987	518	35
Japan	82,151	382	215

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[a] Except as otherwise indicated, data are from the following United Nations publi cations: *Population and Vital Statistics Reports.* Statistical Papers Series A, Vol. 1 No. 4, pp. 6-9; *Demographic Yearbook, 1949-50,* p. 77; *Economic Survey of Asia an the Far East, 1949,* p. 315.

[b] Figures for estimated population mid-year, 1948.

[c] Civilian population only.

[d] Data represent the United States of Indonesia.

[e] Registration areas only, representing approximately 90 per cent of total populatio Does not take into account movement of refugees and others for which authentic dat are not yet available. (According to the preliminary estimates of the 1951 censu total population of Pakistan is estimated at 75.69 million.)

[f] Data from special communication to the United Nations Secretariat from th Government of Pakistan.

in the 1949 *Survey.* The countries reported on were Japan, Ceylon, th Federation of Malaya, Singapore, Korea, and China (Taiwan only Figures indicate a generally high and stable fertility in all countries excep Japan. The birth-rate for Japan reached its post-war peak in 1947, whe the rate was 34.3 per 1,000 population. From that figure the rate decline to 33.4 in 1948, to 32.8 in 1949, and took a rapid drop to 28.3 in 195 The reasons given for this recent decline include an increase of famil limitation, whether through contraception or abortion; a rise in th stillbirth rate; and a lessening of the factors associated with the shar increase in fertility during the early post-war years, namely the repatriatic of Japanese nationals from abroad, the demobilization of the armed forc at home, and the occurrence of marriages postponed during the war year The recorded birth-rate for Ceylon has remained at, or slightly unde 40 per thousand population during the past decade. It was 39.4 in 194 40.6 in 1948, and 39.9 in 1949. In the Federation of Malaya the birth-ra was 43.2 in 1947, 40.7 in 1948, and 43.8 in 1949; in Singapore the rate was 45.9, 46.2 and 47.1 for these three years respectively.

Death-rates were reduced considerably in some of the countries of the AFE region soon after the end of the war, and have since that time continued this trend. In Japan, the death-rate dropped from 14.6 per thousand population in 1947 to 11.9 in 1948, 11.5 in 1949, and 10.9 in 1950. In Ceylon, the rate declined from 14.3 in 1947 to 13.2 in 1948, and to 12.6 in 1949. In the Federation of Malaya the rate came down from 19.5 in 1947 to 16.4 in 1948 and to 14.2 in 1949. It is possible that incomplete registration may account for part of the apparent decline of the death-rates in some countries, but the efforts to control epidemic and endemic diseases, the extension of medical care and public education, and the development of rudimentary sanitation had much to do with the decline.

In Malaya and Ceylon the recent declines in death-rates and the relative maintenance of high birth-rates have resulted in a phenomenally high natural increase of about 3 per cent per year.

General Remarks on Population Movements

From the geographical point of view, three kinds of population movements should be distinguished: (*a*) internal movements (i.e., inside a given country); (*b*) intra-regional movements (i.e., between different countries of the region); and (*c*) inter-regional movements (i.e., to and from the region considered as a whole).

From the point of view of the circumstances surrounding the movements, two categories at least can be distinguished: (*a*) migration which takes place as a consequence of a decision taken by the migrants under the influence of social and economic conditions, but not under compulsion; and (*b*) population transfers (or exchange) and movements of refugees, in which the individuals concerned take part under compulsion, generally as a consequence of war, revolution or political decisions.

Most of the remainder of this chapter is devoted to intra-regional population movements, which include migration, population transfers (or exchange) and movements of refugees, all taking place within the AFE region. In this section, however, there is a brief discussion of the internal and the inter-regional movements, in order to place the main subject — intra-regional movements — in its proper perspective.

It should be pointed out at the outset that the great movements of the year 1950 were movements of refugees, associated with war, revolution, and political events, as was the case in 1949 and 1948. These movements were mainly internal and were characterized by the presence of large numbers of refugees. In Indonesia there were refugee movements which involved a vast influx into the cities. In China in 1948-49 there were flood refugees and war refugees who boosted the population of cities, but in 1950 there were large evacuations from the cities. In Korea since June 1950 waves of refugees have moved ahead of the armies or away from expected areas of military action or unfriendly occupation. The exact magnitude of the volume of refugees in any of these countries at any time during these post-war years is very difficult to assess. However, it is safe to assume that the number of war refugees in relation to the size of the population has been highest in Korea.

Internal Migration and Urbanization

To show how closely internal movements of population are related to economic development would require a detailed description of these movements and a thorough analysis of the social and economic circumstances surrounding them. This subject is of the greatest importance for the understanding of the relationships between economic, social and demographic factors in countries undergoing transition from an almost exclusively agricultural economy to a more or less industrialized one. It is hoped that in the case of the AFE countries, this crucial problem may receive, in the not too distant future, an adequate treatment. The limited space available here prohibits doing more than giving two examples of the close relationship between internal population redistribution and economic development. The first example is a case of land settlement in North-east China (Manchuria) by the Chinese; the second relates to the urbanization of Japan.

The north-east is one of the few territories left in China where lands substantially fertile and rich in mineral resources are available for further agricultural and industrial exploitation. The population density of this territory has been low in comparison with that of the north China plains from which large numbers of migrants came. The series of annual estimates made by the Research Department of the South Manchuria Railway Company indicate that there were 6.7 million Chinese migrants to the north-east in the decade of 1925-35. In the eight years from 1935 to the first quarter of 1943 there were over 7 million Chinese migrants. But throughout both periods there was also a large return migration. Within the north-east most of the recent migrants remained in the south, while the earlier migrants and the native-born took up settlements, or supplied the seasonal labour requirements, in the more open regions of the north.

In Japan at the beginning of the Meiji era, four-fifths of the population were directly dependent upon agriculture, and one-twentieth lived in cities of 50,000 or more. From 1868 to 1930 there was rapid transition to an industrial and urban economy; in 1930 only 47 per cent of the total gainfully-occupied population were engaged in agriculture. In the two decades from 1920 to 1940, the rural population[4] declined from 37.9 to 36.6 million. In other words, 16.1 million persons, roughly the entire natural increase during 1920-1940,[5] were absorbed in urban areas. The progressive urbanization in Japan has been accompanied by heavy migration from the countryside to the city, by a transition from the depressed level of subsistence agriculture to a moderate level of money economy based on non-agricultural work, and by a change of the traditionally high fertility pattern of the Japanese peasants to the rapidly declining fertility of the city people. Urbanization has prevented the development of increasing pressure of population on the land, lowered the fertility of the peasant migrant in the city, and diffused the new values of money economy and lower fertility to the rural areas.

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[4] Rural population refers to those living outside towns of 10,000 or more.

Inter-Regional Movements

Inter-regional migrations of Asians took place largely in the nineteenth century, and were directed towards North and South America, Africa and Oceania. They consisted of minor streams in comparison with the main flow of the intra-regional currents to be dealt with below. The increasingly severe restrictive measures adopted against them towards the end of the last century and the first decade or so of the present century checked some streams and altered the course of others. None of them has been revived.

Intra-Regional Movements

Intra-regional movements, to which mention will be exclusively directed hereafter, have had a long history in AFE countries. For centuries there have been intermittent movements of Chinese to such neighbouring countries as Thailand, Annam and Cambodia, and Malacca, and of Indians to Burma and Thailand. Continuing currents of emigration from China, India and other Asian countries did not occur until the nineteenth century, when the development of colonial enterprises, the abolition of slavery and other factors combined to create substantial demands for Asian labour. In the last three-quarters of the nineteenth century and the first quarter of the twentieth century the emigrants were mainly recruited labourers. The unskilled labour that was moved under indenture systems was directed primarily towards the semi-tropical territories in southeast Asia and the Western Pacific. There were other movements within the region, however, as the lure of employment opportunities or the pressure of calamities sent people across national boundaries. Korean and Chinese labourers were utilized in the Russian railroad and associated developments in the Far East, while the great famine of 1870 to 1875 sent large numbers of Koreans across the Yalu river into North-east China. After the First World War, and particularly after 1930, there were movements of Koreans and Japanese toward North-east China and substantial migrant interchanges between Korea and Japan. At the end of the Second World

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[5] The total population rose from 56 to 73 million during 1920-1940.

War these movements were halted through the forced repatriation of Japanese within the region and the voluntary repatriation of Koreans. Population transfers between India and Pakistan and the repatriation of Japanese and Koreans are now largely completed, although resettlement and rehabilitation are still in process.

Restrictive measures in the receiving countries have reduced the overseas movements of new migrants; post-war exchange controls in general and specific provisions on emigrants' remittances to their home countries have reduced the flow of funds from past migrants. Unless there is a lifting of these dual restrictions on the movements of people and funds, emigration will continue to decline. It has never been very significant in relation to the size of the populations involved, however important some of its consequences may have been.[6]

Other population movements occasioned by political events following the close of the Second World War include the influx of mainland Chinese into Taiwan, of North Koreans into North-east China, and of Russians into Karafuto (South Sakhalin). The vacuum left by the repatriation of the Japanese was gradually filled by new migration, which either reintroduced some old problems of ethnic and economic re-adjustments or brought about new situations and problems.

MAGNITUDE AND DIRECTION OF THE MIGRATORY MOVEMENTS

The major migrant populations living abroad have come from China India, Korea, Pakistan and Japan; people who have migrated from Indonesia, Malaya, Indochina, the Philippines or other countries of th region being relatively few. The countries receiving large numbers o migrants have been Malaya, Indonesia, Ceylon, Burma, Thailand, Indochina and North-east China. The magnitude of the movement can b assessed by considering the major migrant populations, but assessmen is quite difficult, even of those populations in the principal receivin countries, because of the deficiencies of the basic statistics.[7]

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[6] See the subsequent section on "Consequences of the Movements."

[7] There are two major types of migration statistics for the countries of the AF region. The first is a compilation of the number of persons of a given emigrant orig living in a specific area outside the country of origin. This compilation may be bas either on an enumerative census in the country of residence, or on consular or oth reports collected by the government of the country of origin. In neither case is possible to gauge the magnitude of the migration during any given time period, for t compilation includes no information on the date at which the migration occurred or t number who died or moved away between migration and the date of the consular repo or census enumeration. There are a few notable exceptions; the former Japane colonial area censuses published tabulations on place of birth, date of last moveme into the colony, etc. These statistics on ethnic groups abroad portray the consequenc of past, not current, movements. Limited as they are, however, they are availab only for selected countries of the area at selected time periods. The second type migration statistics consists of records collected on certain types of movements, such assisted emigrants, recruited workers, passengers, persons registering intent to abroad, etc. These statistics are often grossly incomplete, as with China, or partia

The data on Chinese migrants recorded in Malaya, Indonesia, Thailand and Indochina for the period 1927 to 1940[8] suggest that a substantial proportion of the Chinese migrants went to or came from Malaya. Malayan census figures and migration statistics indicate that the net Chinese emigration to Malaya, reduced to allow for deaths after leaving China, amounted to about 480,000 between 1921 and 1931, and to 245,000 between 1931 and 1941; between 1946 and 1949 there apparently was a movement out of Malaya amounting to 61,000.[9] These estimates indicate that there was an annual net emigration of Chinese to Malaya in the neighborhood of 50,000 during 1921-31, which was cut by half during 1931-41.[10] In the post-war years of 1946-49 there was a small net outward movement of Chinese amounting to about 13,000 per year from Malaya to Hong Kong and China.

Under the Aliens Ordinance of 1933, whereby women were admitted to Malaya free of quota restrictions until 1938, the net emigration of women from China to that country during the five years 1934-38 was over 190,000 (deck passengers), or an average of about 40,000 per year.

In Malaya, the Chinese population numbered 1.7 million in 1931 and 2.6 million in 1947, representing 39 and 45 per cent of the total population of the country for the respective years. It was estimated on the basis of vital statistics and birthplace data of the Chinese population that about 90 per cent of the Chinese born in Malaya since 1931 who survived to 1947 remained in the country. These Malaya-born Chinese constituted nearly two-thirds of the total Chinese population in 1947. The remaining third of the Chinese in 1947 were immigrants, of whom those who arrived in Malaya in or before 1930 were more numerous than those who arrived in or after 1931.[11]

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[8] Hong Kong is a transit centre and because it involves considerable interport traffic, its port statistics cannot be used as an indication of the size of Chinese migratory movements.

[9] Purcell, Victor, *The Chinese in Malaya,* Oxford University Press, 1948, p. 206; Purcell, V., *The Chinese in Southeast Asia,* London, Oxford University Press, 1951; William Skinner, *The Chinese in Southeast Asia* (mimeographed); *The 1947 Census Report of Malaya,* p. 597; *Annual Reports of Malayan Union or Federation of Malaya and Colony of Singapore,* 1946-1949 issues.

[10] Average migration figures for the decade 1931-41 mask offsetting migratory currents in different years of the decade. From 1931 to 1933, the number of Chinese returning from Malaya exceeded the number of Chinese migrants moving into Malaya. The surplus of returning migrants was 113,000 in 1931, 98,000 in 1932, and 31,000 in 1933.

[11] *The 1947 Census Report of Malaya,* pp. 84-89.

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incomplete, as with Japan (Japanese statistics ignored intra-Empire movements). India does not cover movements by land routes and covers only certain categories of movements by water routes. The migrant-receiving countries have generally paid more attention to the collection of statistics than the emigration countries, but their statistics are also quite deficient. Difficulties with migration statistics are not confined to data collected in the AFE region. Cf. *Problems of Migration Statistics,* United Nations, Lake Success, 1949 (Sales No. 1950, XIII, 1.) and also *Draft Recommendations for the Improvement of Migration Statistics* prepared by the Population Commission in 1949 (E/1313, Annex 3).

In Indonesia, there were 809,000 Chinese in 1920; this number increased to 1.2 million in 1930,[12] and to 1.4 million in 1940. From 1920 to 1930, the Chinese in Java increased from 384,000 to 582,000, and those in the outer islands from 425,000 to 651,000. Of the 582,000 Chinese living in Java in 1930, only 117,000, or 20 per cent, were born outside Indonesia. Birthplace data are available for about 610,000 of the 651,000 Chinese living in the outer islands, and show that 314,000, or slightly over 50 per cent, were born outside Indonesia. Evidently immigration has had more effect since 1920 on the growth of the Chinese population in the outer islands than in Java.[13]

The migration statistics of Indonesia cover only those persons arriving with immigration permits; they do not include either the immigrant members of families (i.e., wives and children) of residents in the country, or contract labourers. Moreover, there are no statistics available on emigration from Indonesia. Hence, the approximate size of net immigration cannot be determined. "Yet it appears from the changed composition of the population that an ever-decreasing part of it is composed of immigrants, and an ever-growing percentage of those descended from the Chinese born in the Netherlands Indies."[14] The available immigration statistics also indicate that the movement of Chinese to Indonesia was reduced from a level of tens of thousands per year prior to the great depression to several thousand per year since 1934, when a quota system was established in that country.

In Thailand, the number of immigrant Chinese reported on each census day is 260,000 in 1919, 445,000 in 1929, and 524,000 in 1937, representing 2.8, 3.9, and 3.6 per cent of the total population of the country in the respective years. Since the census figures for the immigrant Chinese take no account of those Chinese immigrants in Thailand who died before the census date, a comparison of the numbers of Chinese immigrants surviving at two census dates, assuming that the census figures are accurate, would give a minimum estimate of the net immigrational change during the intercensal period. This estimate for the intercensal period of 1919 to 1929 is 185,000, or a minimum net immigration of 17,000 per year, whereas that for 1929 to 1937 is 79,000, or about 10,000 per year. It may be assumed that the mortality of the Chinese immigrants had not changed much during those two intercensal periods. If so, the average annual volume of Chinese immigrants decreased in the latter intercensal period, i.e., in 1929-37.

In 1937-41, there were a recorded net immigration of 35,000 Chinese at the port of Bangkok and a net influx of 66,000 people across the southern border from Malaya. It appears that during this period the declining trend of Chinese immigration was at least interrupted, if not actually reversed, probably because of the Sino-Japanese war beginning in the middle of 1937. In the Second World War period, 1941-45, data on Chinese immigration were available only for the port of Bangkok, but they indicate that the immigration of Chinese was numerically unimportant. Revival of large-scale Chinese immigration in the post-war years has not been possible because of severe quota restrictions.

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[12] Forming 2 per cent of Indonesia's total population of 60.7 million in 1930.

[13] *The 1930 Census of the Netherlands Indies,* vol. II, p. 22, vol. VII, p. 40; Cator W. J., *The Economic Position of the Chinese in the Netherlands Indies,* Chicago Illinois: University of Chicago Press, 1936, pp. 27, 99, 101, 130, 134; Lasker, B., *Asi on the Move,* New York, Henry Holt & Co., 1945, pp. 73, 81.

[14] Cator, *op. cit.,* p. 39.

In Indochina the number of Chinese totalled about 385,000 in 1930 and nearly 600,000 in 1949, representing about 2 per cent of the total population in both years.[15] The net number of Chinese immigrants averaged 25,000 a year in 1925-29, but during the business depression of 1930-34 there was an average net departure of over 1,000 Chinese a year. Subsequently, the gradual revival of trade and business conditions, combined with the outbreak of the Sino-Japanese war, produced a net immigration of Chinese which averaged 16,000 annually during 1935-36 and 43,000 during 1937-39. The net departure of nearly 10,000 Chinese a year during 1940-41 reflected the call by the Chinese Government to the Chinese abroad to return for war work and the moving of the Japanese war front to the territory of Indochina.[16] From 1942 to 1945 few international migratory movements were recorded. In the post-war period 1946-48, there was, however, an average net immigration of nearly 20,000 persons annually.[17]

Chinese emigration to other countries, such as the Philippines, Burma, British North Borneo and Sarawak, has been numerically unimportant, although the Chinese ethnic groups in some of these countries may constitute a considerable proportion of their total populations. For instance, the number of Chinese in British North Borneo was officially estimated as 70,000 in 1947, representing about 20 per cent of the total population. The number of Chinese in Sarawak was estimated as over 140,000 in 1947, or 26 per cent of the total population.

The flow and ebb of Chinese migrants during the inter-war years generally followed business booms and depressions in the receiving countries. In the 1930's, most of the receiving countries adopted restrictive measures for immigrants. From 1938 to the end of the Second World War, Chinese ports were in Japanese hands. The war years also brought political instability, serious economic disruptions and a lack of transportation facilities to the receiving countries. All these conditions at home or abroad reduced the Chinese overseas migratory movements to a negligible number. The present migration currents between China and the receiving countries do not reflect a spontaneous movement in which numerous new migrants seek a better economic life abroad. Rather, they are composed largely of former residents of the receiving countries who are revisiting their homes or are on business trips.

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[15] ILO, *World Statistics of Aliens,* Geneva, 1936, pp. 114-125; *The Statesman's Year Book 1950,* passages under "Indochina".

[16] ILO, *Year Book of Labour Statistics,* 1945-46, p. 238; 1947-48, p. 282.

[17] *Annuaire statisque de l'Indochine,* vol. 11, 1943-1946, p. 32; *ibid.,* vol. 12, 1947-48, pp. 29-30.

Estimates of total migration to and from India and Pakistan for the period 1921-37 indicate an out-movement of about 9 million persons and a return movement of about 8 million persons, leaving a net emigration of about 1 million.[18] From 1938 to 1945, records show 129,375 emigrants leaving and 193,812 returning. The movements were preponderantly continental, since minor currents of Indian labourers to countries in other continents were practically halted during the second decade of the present century. Three Asian countries were outstanding in connexion with the movement of large numbers of Indian migrants, namely, Ceylon, Burma, and Malaya.

Of Ceylon's 6.7 million population in 1946, 703,000, or 10 per cent of the total, were Indian Tamils and Moors, mostly the former. These two groups were made up of recent immigrants and their descendants, and represented the net balance of migration and natural increase for both peoples. The total net immigration during the intercensal period 1921-31 was estimated as 150,000,[19] immigration accounting for 19 per cent of the intercensal total population change.[20] In the following decade there was a net emigration which reduced by 100,000 persons the decennial natural increase of 750,000. During the five years 1941-45, a net immigration of 90,000 contributed one-seventh to the total population change. In 1946, 1947 and 1948, net immigration amounted to 57,000, 22,000 and 20,000 respectively, and represented 32, 11 and 9 per cent of the total population growth of the respective years.[21] Migration has generally played a role of diminishing importance, and is now only a minor factor in the population change for Ceylon.

The migration statistics of Ceylon indicate that the number of Indians moving to that country from 1932 to 1940 amounted to between 100,000 and 200,000 annually, a magnitude which was generally comparable to that of Indian migrants returning from Ceylon. During the war years of 1941 to 1945, Indian emigration to Ceylon fluctuated between wider margins, ranging from 70,000 to 330,000 per year, while the return flow kept in line with the pre-war magnitude.[22] In the post-war years the number of Indians moving to Ceylon was recorded as 296,404 in 1946, 221,046 in 1947 and 205,589 in 1948, and the number returning as 218,915, 203,260 and 187,320 respectively.

The Indian immigrant population in Burma amounted to 1,018,000 in

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[18] Davis, Kingsley. *The Population of India and Pakistan,* New Jersey: Princeton University Press, 1951, p. 99.

[19] This figure represents the number of net immigrants during 1921-30 who were living in 1930. Source: Irene B. Taeuber: "Ceylon as a Demographic Laboratory; Preface to Analysis", in *Population Index,* vol. 15, no. 4, October 1949, p. 300.

[20] Total population change consists of natural increase and balance of immigration and emigration.

[21] Taeuber, *op. cit.,* p. 300; *Statistical Abstract of Ceylon, 1949,* p. 4.

[22] *Statistical Abstract of Ceylon 1949,* pp. 4, 50.

1931, representing almost 7 per cent of the total population of the country. Indian migrants to Burma averaged almost 400,000 annually during the 1920's and over 300,000 during the 1930's, whereas those returning from Burma averaged over 300,000 annually throughout the two periods. In July 1941, Indian immigration to Burma was restricted by an agreement between the Governments of India and Burma in an effort to remove undue economic competition to the Burmese by Indian immigrants who could not identify themselves with the interests of Burma. During the early World War II period, about 400,000 refugees, mostly Indians, were led out by land from Burma to India.[23] The Burma Immigration (Emergency Provisions) Act of 1947 prohibits the entry of any person into Burma without either a passport duly visaed by or on behalf of the Government of Burma, or an immigration permit issued by the Controller of Immigration. The new legislation primarily affects Indian immigration.

Indian immigration to Burma during the post-war years is of little significance. Fewer than 3,000 new immigrants were sponsored by the Government of India from May 1945 to April 1947 as compared with the 23,000 per year net immigration of Indians during the period 1933-37.[24]

The Indian population in Malaya totalled 622,000 in 1931 and 600,000 in 1947, forming 14 and 10 per cent respectively of the total population. Half of this group was Malayan-born, while the other half represented the immigrants living in 1947. There was an even distribution of these immigrants into those who arrived in 1930 or earlier and those who arrived in 1931 and after.[25] The equal number of earlier and more recent immigrants counted in the 1947 census implies a larger volume of immigration before 1931, for mortality must have depleted the earlier group more than the recent group.

The Malayan migration statistics indicate that Indian immigrants averaged about 90,000 a year throughout the 1920's and 60,000 throughout the 1930's, while the annual return movement during these two periods averaged 60,000 and 70,000 respectively. The figures for the 1930's indicate that the number of Indian migrants leaving Malaya was generally larger than the number arriving.

During the war years, the hostile treatment of Indians in Malaya under Japanese occupation dislodged many Indian settlers. Hence in the following years, from 1946 to 1949, more Indians returned to India from Malaya than arrived.[26]

In the post-war period, Indian migrants to Malaya are required to apply for entry permits, approval for which is dependent upon the production by the migrants of a guarantee satisfactory to the Controller of Immigration in Malaya that work is available for the applicants in the receiving country. The number of new Indian immigrants to Malaya was small in recent years, the total number of entry permits issued by Malayan authorities to new immigrants of all races being only 7,128 in 1948 and 1,427 in 1949.

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[23] *International Labour Review,* XLV, 2 (February 1942), pp. 195-198; XLVI, 6 (December 1942), pp. 757-758; XLVII, 2 (February 1943), pp. 252-253; XLVII, (May 1943), pp. 667-668.

[24] *International Labour Review,* LVI, 4 (October 1947), pp. 472-473.

[25] *The 1947 Census Report of Malaya,* p. 40.

[26] The Malayan statistics show that 138,000 Indians returned to India and a smaller number of Indians entered Malaya.

At present, the only movement of Indians which remains on a fairly large scale is that between India and Ceylon. Most of the Indian emigrants are "veterans" and their migration is becoming increasingly seasonal in nature, hence, its effects on population pressure at home are temporary. Even in the heyday of Indian migration, however, the relief of population pressure through migration was insignificant. The number of Indians born in India but residing outside the country in 1931 was about 3 million, less than 1 per cent of the total population in pre-partition India.

Aside from the normal migrational movements, there was an exchange of minorities between India and Pakistan arising from the partition effected on 15 August 1947. The political decision on partition touched off agitations on religious differences between the minorities, which in turn prepared the ground for violence and social unrest. Statistical information is very incomplete and does not give the exact volume of population involved in the two-way movement. However, up to November 1949, official sources from India and Pakistan placed the number of partition refugees at 7 million in each country. But movement from East Bengal (Pakistan area) to the Indian territories has continued up to the present and may go on for some time to come. This mass movement has involved severe hardship and resulted in heavy loss of life and property During the past three years, in spite of the large relief expenditure by the governments, resettlement and rehabilitation of the refugees have not been completed.[27]

The number of Japanese living outside Japan proper in 1920 totalled almost 1.3 million, including the military; this number rose to over 3.6 million in 1940 excluding the military, an increase of over 2.4 million during the twenty-year interval. Most of this increase occurred through emigration from Japan proper and the natural increase of the Japanese who had migrated. It was estimated that between 1920 and 1940 Japan proper lost 1.7 million civilians aged ten or above through net outmigration.[28] This net loss of Japanese civilians was offset by the moving in of an approximately equal number of Koreans in those two decades Even in the absence of "any international or inter-empire migration between 1920 and 1940 the Japanese population of Japan in 1940 would have been only one-half of one per cent above the total population enumerated in the census of October 1, 1940".[29] The bulk of the Japanese living abroad were in the Japanese empire or the areas of Japanese hegemony in Asia, viz., in Korea, Karafuto, Taiwan, North-east China and some other parts of China, especially of north China. The number of Japanese living in these areas of Japanese hegemony was 849,000 in 1920, 1,321,000 in 1930 and 2,799,000 in 1940, representing from two-thirds to three-fourths of the total number of Japanese living outside Japan proper. Within the areas of Japanese hegemony the number of civilian Japanese increased by 473,000, or over 50 per cent during the decade of 1920-30; this was followed by a still greater increase of 1,478,000, or about 110 per cent during the decade of 1930-40. Over 80 per cent of the gain during the former decade occurred in the former Empire territories of Korea, Karafuto and Taiwan. During 1930-40, however, 75 per cent of the increase took place in North-east China (including the province of Jehol) and other parts of China, largely in the former area. This shifting of the main currents of migration corresponded to the carrying out of Japan's continental expansion programme in Asia.

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[27] United Nations, *Official Records of the Fourth Session of the General Assembly* Third Committee, Summary Records of Meetings 20 September-28 November 1949 pp. 144, 146. Joseph B. Schechtman, *Population Transfers in Asia,* New York, Hallsb Press, 1949, p. 19; *International Labour Review,* LXI, 4 (April 1950), pp. 411-414 419, 420, 425, 426; Pakistan, Ministry of Economic Affairs document on Rehabilitation of Refugees.

[28] Through net out-migration, Japan proper lost both the people who migrated an their children born after migration. I. B. Taeuber, "Migration and the Population Potential of Monsoon Asia", *op. cit.,* pp. 19-20.

Of all the other Japanese emigration currents during the inter-war years, only those to Latin America and to the Philippines were significant so far as volume was concerned. The total number of Japanese in Latin America was less than 50,000 in 1920, but by 1935 this number had increased fourfold to over 200,000. The migration statistics of Japan indicate that between 1920 and 1935 there were 163,000 Japanese departures to Latin America. Of this number 157,000 departures (96 per cent of the total) took place after 1924, the average annual departures being 13,000.[30]

The substantial Japanese emigration to Latin America after 1924 was due in part to the exclusion of Japanese immigrants from North America and Hawaii, and represented a diverted movement under the guidance and supervision of the Japanese government to the heretofore largely unexplored outlet of the Latin American countries. By far the largest portion of this emigration was directed to Brazil, amounting to 145,000 in the period from 1920 to 1935, or 89 per cent of all Japanese departures to Latin America.

The number of Japanese nationals in the Philippines was close to 8,000 in 1920 and increased to 22,000 in 1935, implying a net migrational and natural increase of 176 per cent during this period.

The large war-time out-movements of Japanese military forces following the years of net emigration of civilian Japanese to countries of the

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[29] *Ibid.*, p. 20.

[30] The closeness between the figures for the increase in the Japanese population in Latin America during 1920-35 and that for total departures from Japan for Latin America during the same period is purely coincidental, for in some years there were large return movements of Japanese migrants from certain Latin American countries. These return movements were offset by the natural increase of the Japanese in Latin America during this period.

ECAFE region left very substantial numbers of Japanese outside Japan proper at the surrender. During the early post-war period some 6 million Japanese nationals outside Japan, whether Japanese-born or not, were repatriated to that area of Japan under the military occupation of the Supreme Commander of the Allied Powers (SCAP). The nationals of the former areas of the Empire were given the option of repatriation to their countries, and Ryukyu Islanders were repatriated to Okinawa and other islands. Thus the net movements of Japanese during the period from the Restoration of 1868 to the surrender of 1945 terminated in a redistribution that left practically no Japanese within the ECAFE region. Since the end of the Second World War, there has been little overseas emigration of Japanese nationals, for such movements are controlled by SCAP and the resistance against any restoration of movements would be strong in any areas of potential reception.

The major emigration currents of Koreans were two: one from North Korea across the Yalu River into North-east China, and the other across the Sea of Japan into Japan proper. The former movement started in the latter part of the 19th century. According to available data, there were about 600,000 Koreans in North-east China in the late 1920's. In 1940, the number had increased to 1.4 million, distributed largely in the provinces of Chientao, Kirin, Fentien, Mutankiang, and Tunghua.[31] The stream of Koreans moving into Japan attained a size similar to that into North-east China in a short time, the number of Koreans in Japan rising from 41,000 to 1920 to 419,000 in 1930 and 1.2 million in 1940. These immigrants came predominantly from South Korea. It is estimated that a total of 1.4 million Koreans emigrated during 1925-40.

The extent to which migration affected population increase, and the change in the volume of manpower in Korea has been assessed as follows:

> "Between 1925 and 1940 the Korean population of Korea increased 4.5 million. If there had been no migration of Koreans to or from the country, the increase would have been over 6 million. Migration removed one-fourth of the population increase that would otherwise have occurred in Korea. The contributions of this out-movement to the achievement of a manpower-employment balance within Korea were larger than these over-all figures indicate, for the Korean migrants were predominantly men in working ages. In the absence of migration the number of Korean men aged 15 to 59 would have increased from 5.3 million in 1925 to almost 7 million in 1940, an increase of 30 per cent within a fifteen-year period. The actual increase was 16 per cent. Forty-five per cent of the expected increase in mature manpower had been removed by migration."[32]

During the 1940-45 period, information regarding the number of Koreans was available only for Japan, where the number appears to have remained at about the pre-war level. In the post-war years the repatriation of Koreans to South Korea, according to compilations by the Government of the Republic of Korea, amounted to 2 million by the end of January 1950, of whom 1.4 million came from Japan. Koreans reported as repatriated to South Korea under military auspices, according to the SCAP reports, numbered only 1 million, of whom 588,000 came from Japan. The discrepancy between the figures for Koreans repatriated from Japan appears to be due to the fact that the Korean Government included all Koreans entering Korea in its influx figures, whereas the SCAP reports on evacuation do not include voluntary movements, or expulsions for illegal entry or other reasons. There is evidence that in the post-war years there has been considerable clandestine out-movement of Koreans to Japan. This movement is attributable to the crippled economic conditions in Korea resulting from post-war dislocation of industry.

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[31] *Census of Manchoukuo, 1940.*

[32] Taeuber, I. B. and G. W. Barclay. "Korea and the Koreans in the Northeast Asian Region." *Population Index,* vol. 16, no. 4, October 1950, pp. 285-286.

CHARACTERISTICS OF THE MIGRANTS

The Chinese, Indian, and Korean migrants have been drawn largely from the agrarian population of their homelands; most of them have been unskilled workers. A substantial proportion of the Chinese and the Indians have become urban residents in the receiving countries. In Malaya, for instance, 54 per cent of the 2.6 million Chinese and nearly 40 per cent of the 600,000 Indians were living in urban areas in 1947,[33] and the Chinese and Indian populations combined formed 80 per cent of Malay's 2 million urban inhabitants. The economic activities of the Chinese migrants have been generally confined to commercial occupations rather than agriculture, whereas the reverse has usually been true of Indian migrants. An example is offered by the Malayan data for 1947. In that country over one-half of the male Chinese workers were engaged in mining, manufacture, transport and commerce, and about one-third in agriculture; whereas over four-tenths of the male Indian workers were engaged in agriculture, with three-tenths in public administration and commerce.

The early Korean settlers in North-east China were engaged primarily in agriculture, but after the Manchurian "Incident" in 1931, the Korean immigrants were offered various opportunities for obtaining employment in industries and commerce. Many of those Koreans who went to Japan served as unskilled manual workers in the industrial and urban regions of Japan.

The out-movement of Japanese from Japan was highly selective. Many of the under-employed or unemployed Japanese who moved out achieved superior social and economic status in the government and industry of the empire territories and in North-east China. Among the Japanese migrants to and from Taiwan, where occupational statistics are available for Japanese arrivals and departures, the majority of the occupied persons were engaged in non-agricultural pursuits such as commerce, public service, the liberal professions, and industry. These groups, combined, made up about three-quarters of the total occupied migrants, while those engaged in agriculture and fishing represented less than one-tenth. It should be noted that of all the former Japanese dependencies Taiwan was the least industrially developed. In Korea and North-east China, where industrial development was more extensive and more rapid, especially in the period after 1930, the proportion of the Japanese immigrants engaged in government service, industry, and mining was higher than in Taiwan. Notwithstanding the repeated efforts of the Japanese Government to set up agricultural colonies abroad, Japan's external and inter-empire movements had never been "the exodus of poverty-stricken peasants to a life offering only subsistence on an agricultural frontier."[34]

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[33] "Urban" refers to towns and villages with a population of 1,000 or more. *The 1947 Census Report of Malaya,* p. 47.

Unlike the Japanese migrants to the territories under Japanese control, most of whom were in non-agricultural occupations, the Japanese emigrants who went to Latin America remained predominantly agriculturists. They emigrated with their families under the financial support of their Government to work in the destination country on settlements which were carefully planned in advance by the Japanese authorities.[35]. Most of the Japanese who lived in the Philippines were also agriculturists, engaged in the cultivation and manufacture of hemp.

Data on the sex and age of the Chinese migrants are available for only a few receiving countries. Of a recorded 2.4 million Chinese arrivals in Malaya during 1930-39, over 1,500,000 were men, 520,000 were women, and 328,000 children, representing 64, 22 and 14 per cent of the total Chinese arrivals respectively. The controlled Chinese immigration to Indochina during 1923-36 amounted to 732,000 persons, of whom over 371,000 were men, 184,000 were women and over 177,000 were children, forming 51, 25 and 24 per cent of the total controlled Chinese immigrants respectively. The controlled Chinese migrants returning from Indochina during 1923-36 numbered almost 550,000, of whom 317,000 were men, 118,000 were women and 115,000 children, representing 58, 21 and 21 per cent respectively. Rough indications of the sex and age characteristics of the Chinese migrants to Thailand via the port of Bangkok may be obtained from statistics on arrivals of aliens at that port, since Chinese migrants usually constituted the bulk of the alien arrivals there. Of the 546,000 male aliens and the 148,000 female aliens arriving at the port of Bangkok during 1928/29 to 1938/39, 376,000 were men aged between 15 and 54, forming 82 per cent of total males, and 104,000 were women in the same age group, representing 70 per cent of total females.[36]

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[34] Taeuber, "Migration and the Population Potential of Monsoon Asia," *op. cit.*, p. 20.

[35] Norman, J. F., and Antonello Gerbi, *The Japanese in South America, An Introductory Survey with Special Reference to Peru.* International Secretariat, Institute of Pacific Relations, New York, 1943, pp. 47-49.

Sex and age data for Indian emigrants are available for about 653,000 persons for the period 1928-40, and for about 131,000 for the period 1941-47. Slightly under two-thirds of the first group were males, of whom about 80 per cent were aged fifteen years and over. The remaining third were females, of whom about 65 per cent were aged fifteen years and over. Practically all of the second group were males aged fifteen years and over. In Malaya, sex and age data are available for about 1.6 million Indian arrivals during 1922-39. Of this number nearly 1 million were men, 220,000 were women and 355,000 were children, representing 63, 14 and 23 per cent of the Indian arrivals respectively.[37]

Of all the overseas migratory movements, only those from India were essentially seasonal in nature. Since the receiving countries of Indian migrants were near to India, the demand for Indian labour could be met on a short-term contract basis.

Recent vital rates of the migrant populations are available only for the Chinese and Indian communities in Malaya. It has been estimated that the gross reproduction rate for the Chinese population in that country in 1947 was not lower than 3.25, while the number of Chinese children born in 1947 per 1,000 Chinese women aged fifteen to forty-four enumerated at the 1947 census was 224 as compared with a corresponding figure of 259 for the Indians. The Chinese female infant mortality rate for 1947 was estimated as 99 per 1,000 female births. The Chinese male infant mortality rate from the registration statistics was 73 per 1,000 male births.[38] The infant mortality rate for the Indians was somewhat higher than the Chinese.[39] In general, both Chinese and Indians in Malaya showed high fertility rates in 1947, comparable to those in some rural areas of their homelands, but both populations in Malaya had mortality rates in 1947 and 1948 which tended to be much below those of their homelands. As a result of high fertility and low post-war mortality the excess of births over deaths in both the Chinese and Indian communities in Malaya exceeded 3 per cent of the Chinese and Indian populations in 1947 and 1948, although the net movement of Indians out of Malaya reduced the increase in Indian population to less than 2 per cent.[40] This rapid natural increase may serve as an indication of the direction which the Chinese and Indian populations in the homelands might follow if their public health, sanitation and economic conditions were improve to an extent similar to those found in Malaya.

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[36] Great Britain Colonial Office, *Annual Report on the Social and Economic Progress of the People of the Straits Settlements,* 1919 to 1930 issues; Straits Settlements, *Government Gazette,* 1931 to 1940 issues; *Annuaire statistique de l'Indochine,* 1923 to 1937 issues; *Statistical Yearbook of the Kingdom of Siam,* 1928-29 to 1935-37 issues; *Statistical Year Book of Thailand,* 1937-38 and 1938-39; K. P. Landon, *The Chinese in Thailand,* London, Oxford University Press, 1941, pp. 22, 204.

[37] Special communication to the United Nations Secretariat from the Government of India; see also sources on Straits Settlements in preceding footnote.

[38] Smith, T. E., *An Analysis of Recent Population Growth in Malaya* (to be published).

[39] The Federation of Malaya: *Annual Report, 1948,* p. 90.

[40] Smith, *op. cit.*

Consequences of the Movements

Rise of Plantation Agriculture and Mining

The commercial economy of the major immigration countries in southeast Asia has been built largely on plantation agriculture and mining which produce rubber, tea, copra, sugar, tin, petroleum and other products for export. Industries of any significant scope are confined largely t the processing of raw materials. A large section of the trading, banking and credit facilities and transportation services have been developed t service the export trade. Returns from the export trade in turn balanc the necessary imports. The capital invested in the development of th export economy was largely European. The organization and management of modern industrial and commercial enterprises for processing and servicing the export commodities were also European. The majo portion of the labour used in the production of the commodities was imported from China and India. The natural resources were native. I a situation such as this it is impossible to isolate any single productio factor, such as foreign Asian labour, and assess its independent effe on the development of the export economy.

The importance of plantation agriculture and mining in the nationa economies of southeast Asian countries is indicated by a comparison o the per capita value of imports and exports with the value of the majo export commodities of, for example, tin and rubber expressed as percentage of the total.

> "The average annual value per head of their imports and export (commodity trade only) during the years 1936-39 was as follow (expressed in dollars): Siam, $3.55 for imports and $5.10 for exports Burma, $5.60 and $12.66; Indochina, $2.60 and $4.05; Indonesia, $4.0 and $6.70; and Malaya, $63.00 and $75.55. These differences in th volume of foreign trade were due partly to differences in the level o income per head and partly to differences in the proportion of import and exports to the national income." (Preparatory Asian Regiona Conference of the International Labour Organisation, *The Economi Background of Social Policy including Problems of Industrializatio* New Delhi, 1947, p. 91.)

> "The Malayan figures quoted above include an indeterminabl quantity of re-exports; if this inclusion is corrected, the differenc between the Malayan figures and those of the other countries woul be smaller but still considerable". (Smith, T. E. *An Analysis of Recen Population Growth in Malaya.* To be published.)

Since the world depression which started in 1929, the actual quantitie of rubber and tin exported have become increasingly dependent on worl demand and world prices rather than on productive capacity. Potential output has exceeded world consumption by a wide margin. In the decade before the outbreak of World War II, both rubber and tin became the subject of agreements by the main producing countries to restrict output and export. In the post-war years exports and production of both commodities were unrestricted. In general, the volume of exports and the volume of production have been related closely to each other, both in the restrictive era of the pre-war period and the non-restrictive era of th post-war period. However, the value of exports of both commodities (subject to changes in current prices of both commodities) generally reflects the volume of output. In the main tin and rubber-producing countries of southeast Asia, the value of exports of these two items together accounted for a proportion of the total value of exports and re-exports that ranged from 20 to 80 per cent. The proportions were 17.3 per cent (1938), 24.9 per cent (1948), and 22.6 per cent (1949) for Indonesia; 25.8 per cent (1938) and 26.5 per cent (1948) for Indochina; 30.4 per cent (average for the three years 1936-37 to 1938-39) for Thailand, and 80.7 per cent (1948) for the Federation of Malaya. As for Ceylon, the value of its two main exports, tea and rubber, constituted 72.4 per cent of its total value of exports and re-exports in 1948.[41]

The above is an example of a general assessment of the importance of some export commodities in the national economy of these countries. During the early development of the export economy, most of the production factors involved in estate agriculture and tin mining were derived from foreign sources. The immediate consumers of the products were also foreign. In these circumstances, the export economy bore little relation to the levels of living of the native people. Interest among the indigenous people in cultivating export crops (e.g., rubber, kapok, tobacco, etc.), growing market food (fruit, pepper, coconuts and other crops), raising stock, collecting jungle produce or manufacturing handicraft products was often stimulated by immigrant Asians. Some of the immigrant Asians came to the host countries as smaller businessmen and pedlars, but the majority came as labourers and entered business on their own after a period of work on plantations or in mines. They formed the only intermediate business class, their role being to induce the indigenous people to produce agricultural and handicraft items for the market and to collect these products for the domestic or foreign market. In the latter case, the Asian small businessmen were actually agents of the exporters. However, the immigrant Asians also distributed imported commodities for the importers to the indigenous people. Thus they served as a link between the national enterprise and the indigenous economy. They were the intermediaries through whom native economic activity was developed in relation to the national export enterprise.

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[41] Indonesia, the Java Bank: *Report for the Financial Year 1949-1950*. Indochina, *Annuaire statistique, 1947-48*. Thailand *Statistical Year Book, No. 21,* 1939-40 to 1944. The Federation of Malaya, *Annual Report 1948,* and Ceylon *Year Book, 1949.*

The share of the total output of rubber produced by natives and by immigrant Asians is available for the Federation of Malaya. It amounted to about 40 per cent of the total rubber acreages planted in 1940 and 1947. The share of the natives in total output was somewhat higher than their proportion of the acreage, however, for the small parcels of rubber culture were not covered in the figures for small-holdings.[42]

In Indonesia, the value of native agricultural products exported in 1938 amounted to 169 million guilders, or 39.7 per cent of the total value of the agricultural products exported in that year, which aggregated 426 million guilders.[43]

Tin-mining enterprises in southeast Asian countries are largely financed and managed by Europeans, but the labourers are mostly immigrant Asians. Hence these enterprises have had only a limited direct influence on the native economy.

Indications of the economic activities of immigrant Asians would be furnished by the statistics on their investments in southeast Asian countries. Such statistics are scanty, and those that do exist relate primarily to the Chinese communities. Nevertheless, they indicate that Asian immigrants have invested substantial amounts of capital in the countries to which they migrated.[44] This capital helped in the development of the native economies. In the case of Thailand, the Chinese immigrants

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[42] The Federation of Malaya, *Annual Report 1948*, p. 50; *Ibid.*, 1949, pp. 56-57.

[43] *A Short Survey of the Export Crop Statistics of Indonesia in 1938* (mimeographed), p. 3.

[44] Chinese investments in business establishments in southeast Asia (presumably data relate to the post-war period unless otherwise specified). *Note:* Reliability of data questionable. Chinese in business evidently include those born in these countries but claiming to be Chinese.

Country	*Number of business establishments*	*Number of Chinese (including Chinese workers) in business establishments*	*Total capital invested (unit: million)*	*Major categories of business establishments*
Colony of Singapore....	6,784	103,153	M$3,096	Transportation, soap manufacturing, wholesaling and retailing, electric appliances, other
Federation of Malaya...	6,836	295,709	M$2,296	Rubber, transportation, rice, wholesaling and retailing, other
Indonesia (pre-war)....	36,010	318,457	Fl.2,091	Rice, wholesaling and retailing, sugar mills, other
Burma	2,262	136,664	Rs.479	Leather, rice, building construction, other
Thailand	4,412	649,273	Baht 2,670	Tin, lumber, rice, machinery workshops, other
Indochina	822	345,485	Piastres 1,828	Rubber, spice, transportation, sugar mills, leather, other
Philippines	21,203	104,370	P.574	Restaurants, import and export, building construction, rice, retailing, other
India	319	12,641	Rs.13	Lumber, leather, wool, other.

The above is a short summary of detailed data by categories of business establishments. The organizations supplying such data have not been identified but probably are the Chinese chambers of commerce of the various countries concerned. Source *Chung Hua Year Book*, vol. II, 1948, Nanking; Chung Hua Year Book Corporation pp. 1915-1935.

and their capital formed the basis for development of industries other than agriculture.[45]

In Indonesia, the estimated total investments by immigrant Asians in the large enterprises in the fields of plantation, wholesale trade, industry, banking, and transport undertakings amounted to Fl. 376 million in 1921: of this total Fl. 340 million were invested by Chinese and the remainder by Japanese. This Fl. 376 million constituted 12 per cent of the total investment in large enterprises, aggregating Fl. 3,200 million.[46]

The clearing of jungle land for rubber culture in Thailand along the highway from Kuan Niang to Satul and along the railway from Tung Song to Sutal in the peninsula was a pioneering undertaking initiated, financed and carried out by second-generation immigrant Asians from Malaya.

Credit Business and Wholesale and Retail Trade

A popular form of credit system in the major immigration countries is that operated by itinerant money-lenders who call at the doors of the natives to extend small amounts of credit to those who need them. These money-lenders are immigrant Asians, mostly Chinese. As a rule, the money-lenders are engaged in a variety of business undertakings. Their business activities generally cover two main spheres. The one concerns native production in a broad sense, including not only the cultivation of market crops, the collection of jungle produce or the manufacturing of native art crafts, but also wage earning on the small estates. The other concerns the sale of consumption goods, either imported or locally manufactured, to the natives. Credit extended by an immigrant money-lender to the natives can be paid off by agricultural production or wage labour. Where consumption goods are sold to the natives, procedures of credit or instalment buying are often used. Repayment for credit or instalment payments are chargeable to market crops produced by natives or to wage incomes earned by natives. Many people believe that the credit system operated by the immigrant money-lenders contributes to the increased level of living of the natives. They believe that the activities of the alien middleman lead to an increased participation of the natives in production for the market. There is a widespread opinion throughout the area, however, that the interest rates charged by the immigrant money-lenders are exorbitant,[47] that the labour repayments involve labour exploitation, and that native handicraft production suffers by the importation of chea Asian products. Similarly, it is often argued that the entrance of th immigrant middleman has displaced native trade, that, in fact, the existence of the aliens has retarded the growth of a native middle class. Th arguments are comparable to those that are involved in the condemnatio of European enterprise because the bulk of the profits are siphoned ou of the country.

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[45] Landon, *op. cit.*, pp. 118-155.

[46] Cator, *op. cit.*, pp. 64-65.

[47] The high interest rates are probably essential if the money-lenders are to render their service of stimulating production. Risks are substantial and the terms of credit practised by the majority of the immigrant money-lenders are largely elastic. The relationship of money-lender and borrower tends to be smooth and friendly. In the prosperous years a good deal of the profits derived from money-lending are reinvested in new land-cultivation schemes in which either the money-lender or the natives or both participate. Such expansion of land cultivation results in a scarcity of labour. and consequently wage rates are increased. The business risks involved in financing the cultivation of market crops and the collection of jungle products are substantial. The

Whatever the relative merits of the past contributions of the immigrar Asian money-lender or itinerant middleman to the country in which h worked, there is a continuing problem for the future. It would seer that immigrants could play a substantial part in the economic developmer of the region in the future provided there were an integration of interest and functions as between immigrants and natives. The alien laboure of the future must find his home in the country in which he works; tha country must offer him equality of opportunity and treatment. The tas involved in achieving a resolution of the conflicts of the past involve the co-ordinated actions of the immigrant, the local authorities, and th governments of both the receiving and the sending countries.

The retail trade of the southeast Asian countries is predominantl in the hands of immigrant Asians. Immigrant Asians have also playe a dominant role in the importation and distribution of certain commoditie particularly rice and manufactured consumption goods from the producir countries, including China, India, Indochina, Thailand and Japan, ar from the re-export centres of Hong Kong and Singapore. The role c immigrant Asians in wholesale export business is rather limited, for th field is dominated by European concerns and other large-scale unde takings.

The small rubber works, the coconut-oil factories, the gambier-boilir plants, the copra-drying establishments, the sawmills, the rice-hullir mills, the repair workshops, the fishing industry, and certain mines (e.g the gold mine in West Borneo) are mostly owned and operated by imm grant Asians. These immigrants also play a dominant role in the fie of common arts and crafts such as those of the carpenter, smith, fitte tailor, goldsmith, etc. Wherever these industries are owned by immigra Asians, they are working quite independently of western capital c native labour.[48]

Remittances

The outstanding contribution of migrant Asians to their homeland h been in the form of remittances. This serves both as an addition to t

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[48] Cator, *op. cit.*, pp. 27, 175, 180, 254.

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losses entailed in the slump of prices during the years of world depression were bo by money-lenders. However, during business depressions the multiple functions of money-lenders disappear, leaving money lending as the sole economic activity. In t situation, where other business activities are paralysed, the high interest rates charg by the money-lender become damaging to the native population. (See Cator, *op. c* pp. 170-180, 254).

national income and a source of foreign currency which has been used largely by the fiscal and financial institutions of the emigration countries for the purpose of international payments. The immediate effect of the former has been local in the sense that it has, so far, been confined to the emigration communities for the purposes of defraying living costs (including education and medical expenses) of the kinsfolk of the emigrants, of investments in real estate, household furniture and personal effects, and in business and cultural establishments such as newpapers and educational institutions, public utilities and transportation.[49] The effect of investments in local enterprises has not been great, for local industries were developed primarily for the household consumption of residents of the communities or for passenger services. Nevertheless, they do enhance the standard of living of the emigration communities.

Remittances as a source of foreign currency for the settlement of international payments have been especially important to China, rather than to Japan and India, because China is normally an import surplus country, whereas the other two are not. In China, the estimated annual amount of remittances from the Chinese communities abroad ranged from 232 to 420 million Chinese dollars (pre-war value) in 1931-36, and constituted 30 to 130 per cent of the annual import surplus of China during the same period.[50] During this period, however, the importance of the remittances is somewhat understated, in view of the fact that the import surpluses of China were overstated as a result of the loss of the Manchurian export surplus to the Japanese. In the war years since 1937, there was a rapid decrease in the value of the Chinese dollar, due to inflation. Estimates for annual remittances in Chinese dollars were made on the basis of current exchange rates, while figures for Chinese foreign trade were compiled on the basis of official rates. The two series of figures for 1937 and later years are no longer comparable. In the meantime, a substantial amount of the remittances went to Hong Kong, taking advantage of the relatively stable exchange rate of the Hong Kong dollar, before they were converted to Chinese dollars at free market rates. In the years 1941-45, the remittances from southeast Asian countries were severely curtailed because of Japanese restrictions on currency following occupation of these countries.

The average annual remittances of Chinese emigrants from the period 1931-36 amounted to 319 million Chinese dollars, and the average of the estimated total annual available means (i.e., disposable goods and services, by the expenditure method of estimating national income) was 22,734 million Chinese dollars for the same period.[51] The remittances thus formed about 1.5 per cent of the total annual available means for China.

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[49] Ta Chen, *Emigrant Communities in South China*, pp. 84-85. New York: Institute of Pacific Relations, 1940.

[50] Economic Research Department of the Central Bank of China: *Statistical Survey of China for the Second Half-Year of 1941*, pp. 125-127.

[51] United Nations, *Economic Survey of Asia and the Far East*, 1948, p. 20.

The average annual remittances for the nine years 1926-34 sent home by Japanese emigrants amounted to 23 million yen, which formed 0.2 per cent of the estimated national income, 10,636 million yen, of Japan for 1930.[52] The money remitted by Japanese emigrants annually ranged from 18 to 28 million yen during 1926-1934. The peak was reached in 1929, after which year a decline set in, but the amount stabilized at around 20 million yen for the last three years of the period.[53]

Statistics on remittances of Indians are available only for Malaya. The annual amount of remittances from Malaya to India ranged from Rs. 7 million to Rs. 12 million between 1934 and 1938. The total savings of the Indians in Malaya which were deposited in the Post Office Savings Banks ranged from M$ 4 million in 1934 to M$ 9 million in 1938. Apart from these, the majority of Indian labourers carry their savings on their persons when returning to India. These are either in cash or in the form of jewelry.[54]

Other Problems of Population Movement

The immigration of foreign Asians to the major receiving countries of the region has resulted in the creation of immigrant communities. Social and economic problems arise as these communities grow in size over a period of time. The main social problems are those of assimilation, whereas the main economic problems are those of competition, whether actual or potential, with the native population.

The formation of immigrant communities has a long history which involves the interplay of forces generated among the people in the receiving countries and among the immigrants. Aspects influenced by the receiving country include the selection of settlements for immigrants near their places of employment, residential and travel restrictions of immigrants, difficulties in naturalization according to existing legal requirements, etc.[55] Aspects influenced by the immigrants include the retention of nationality of the country of origin, as well as its customs, language, religion, and other cultural and educational institutions, which may be and in fact often are very different from those of the country of adoption; the preservation of economic interest in and the familial attachment to persons in the mother country of the immigrants; and the marital choice within the ethnic group. Problems of assimilation are related mainly to those aspects of immigrant life which cannot generally be identified with the interests of the natives. Hence, in principle at least, all the receiving countries of this region have developed some policy to assimilate the settled immigrants and their native-born children into native society This is done through such procedures as compulsory education, language and other requirements for those who apply for public posts, prohibition of adherence to foreign political parties, the control of social and economic activities by non-citizens and the non-settled through licensing, registration requirements, levies on renewal of residence certificates, etc.

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[52] *Résumé statistique de l'Empire du Japon.* No. 52, 1938, p. 142.

[53] Japan, *The Orient Year Book 1942*, p. 51.

[54] Straits Settlements; *Annual Departmental Reports*, 1934 to 1938 issues.

[55] Landon, *op. cit.* pp. 17-18; MacKenzie, Norman (Editor), *The Legal Status o Aliens in Pacific Countries*, London: Oxford University Press, 1937, pp. 163, 164 186-188, 241, 242, 289, 290.

The assimilation by intermarriage between foreign Asians and Natives is nowhere prohibited by law. However, aside from a few countries such as Thailand, intermarriages are not popular among the Asian immigrants. Wherever information is available, the number of native women married to immigrant Asians in relation to the total of married women of the immigrant communities has not been significant. Except in Thailand, the immigration of women and children to the receiving countries is generally favoured. The immigration of women lessens the disequilibrium of the sexes, minimizes social maladjustments, and combats illegal traffic in women.[56] The establishment of families among the immigrants creates an enduring interest in their land of adoption by weakening their familial attachment to the country of origin. In Thailand, however, a large proportion of the early Chinese immigrants were assimilated through marriages to Thai women. It was not until after 1910, when there had been a considerable influx of Chinese women, that the Chinese communities in the country became difficult to assimilate to the native society.[57] In these circumstances, the immigration policy of Thailand has been uniquely directed against the influx of women, although its aim of assimilating Asian immigrants is the same as that maintained by all other receiving countries of the region.

The economic problems of minimizing the competition of immigrants with the natives of the receiving countries are approached by the governments concerned through two broad categories of legislation. One consists of protective measures for the Natives, including legal restriction of the alienation of land owned by the Natives, regulation of the business practices employed by immigrants, such as the interest rates charged for loans to the Natives, the reservation of certain employment opportunities and certain economic activities to citizens, and the control of remittances by immigrants.[58] The other category aims at restricting immigration by means of the establishment of quotas or systems of selective immigration, or both. These restrictive measures are adopted in the interest of immigrants and their descendants already in the host countries.

Free immigration to any of the major receiving countries is a thing of the past. Immigration is highly restrictive, and the terms of restriction depend upon the economic requirements and social sentiments of the receiving countries. In general, the influx of unskilled labourers is everywhere under control. On the other hand, the admittance of a selected group, such as professional persons, technicians, artisans, and to some extent businessmen, is relatively easy, but their number is small. As to the immigrant communities in the receiving countries, it seems that the problems of their cultural assimilation and economic integration into the native society depend not only on the effectiveness of the various measures mentioned above, which are no doubt useful mostly on the negative side, but also on more positive measures such as a lowering of the legal requirements for naturalization, or the improvement of social amity among the peoples.

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[56] Purcell, Victor, *op. cit.* pp. 174-184.
[57] Landon, *op. cit.* pp. 52-55, 204-205.
[58] Landon, *op. cit.* pp. 216-260; MacKenzie, *op. cit.* pp. 169, 184, 186, 247-250, 291-300.

Forces Underlying the Movements

Some factors contributing to migratory movements have already been discussed in this chapter, and only a brief summary of this subject will be given here. Individual migrations in the AFE region have always been motivated primarily by economic considerations. The driving forces of adversity of one kind or another in the homeland of the migrants, combined with the prospects of survival or of superior employment opportunities in the receiving countries, constitute major forces underlying migration.[59] Flood, famine, under-employment in agriculture, internal disturbances and social unrest accentuated the economic pressures in the countries of origin. Government assistance in emigration, favourable terms of recruitment and facilities for migrant labourers, and contact and connexion with the immigration countries, reinforced the attraction of the economic opportunities in the countries of destination. In the emigration countries of China, India, Pakistan, Japan and Korea, there is a high ratio of population dependent on agriculture to arable land. This ratio ranges from about 250 persons per square kilometer of arable land in India and Pakistan, and 350 in China, to 500 in Japan and Korea.[60]

China, India, Pakistan and Korea have predominantly agrarian economies with large numbers of under-employed farm labourers.[61] Emigration provides one of the major outlets for the redundant peasants of the rural areas in countries where urban and industrial employment opportunities are either non-existent or inadequate. In industrializing countries, on the other hand, internal movements can constitute the major process whereby people are distributed more equitably in relation to resources. In Japan the diversion of youth from rural to urban areas combined with emigration from the country permitted the maintenance of a relatively unchanging rural population throughout the period from the Restoration to the Second World War.

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[59] In a survey of 905 families in the emigration communities of south China, ove 90 per cent of the causes given for emigration were related to economic interests including 70 per cent due to economic pressure, and 19 per cent due to previou connexion with Nan Yang (i.e., the South Seas, a term conventionally used for th immigration countries in southeast Asia) which is directly or indirectly associate with economic prospects there. See Ta Chen, *Emigration Communities in South China* New York: Institute of Pacific Relations, 1940, pp. 259-260. See also B. Lasker "Postwar Migration Problems: The Far East", in *Social Forces,* vol. 22, No. 2, Dec 1943, pp. 130-135; Virginia Thompson, *Postmortem on Malaya,* New York, (Macmilla 1943, pp. 122, 123, and S. Y. Krishnaswami, *Rural Problems in Madras,* Madras Government Press, 1947, pp. 26-33.

[60] These country-wide ratios have masked the differential yields of the cultivate land due to differences in number of crops a year, soil fertility, farming techniques, etc among the different countries, and the differential distribution of the ratio within th same country. In general, either ratios for the emigration areas were higher than th national average as in the case of south China and South Korea, or the qualit of soil is poor as in the case of south India. See C. L. Pan, "Demographic Aspects o Under-developed Countries", in *Annals of The American Academy of Political an Social Science,* July 1950, p. 44.

[61] Ghosh, A., "Agricultural Labour in Bengal"; B. Mishra, "Agricultural Labour i Arissa"; in *Indian Journal of Economics,* January 1948.

Viewed from the immigration countries, the presence of more remunerative employment opportunities was the major attraction to the immigrants. Such employment opportunities spring largely from heavy investments in commercial and industrial enterprises, plantation agriculture and mines. As these enterprises are generally sensitive to world trade conditions for their products, economic booms and depressions affecting the immigration countries become closely associated with the current need for immigration, and consequently with the varying volumes of immigration. To some extent, the turnover of immigrant labourers due to their changing to preferred occupations or returning to their homelands after working in the immigration countries for a time influences subsequent currents of migration. However, such influence appears to be secondary to that of booms and depressions, and is itself affected by the latter.

As a result of the world depression of the 1930's and the growing nationalism of Asian peoples, restrictive legislation on immigration was adopted by one after another of the immigration countries. From then on, legislation on immigration has become a major determinant of the volume and characteristics of immigrants.[62]

Although the economic conditions of the immigration countries have changed time and again since the initiation of restrictive measures, and the legislation on immigration has also been changed or amended to take care of the various situations, the tendency in legislation has been to tighten the restrictions rather than to lift them. It is increasingly difficult for unskilled labourers migrating for the first time to secure admission into any of the major immigration countries of the region. However, forces other than legislation continue to influence migration potential and migrant behaviour. The existence of considerable illicit migration into the receiving countries at various periods after 1930 reflects the wideness of the gap that separates the numbers who can be admitted under existing migration quotas from the numbers who would move if opportunities were available.

During the post-war period, a different set of forces was operating to create different types of population movements. These forces included the political actions in consequence of the Second World War that led to the reversal of the four-hundred-year-old eastward movement of European administrators, business men, professional people, and armed forces. Political factors combined with economic expansion had sent the Japanese outward into the ECAFE region during the Imperial period 1868-1945; political reactions after their defeat determined the repatriation of all Japanese nationals to Japan. Humanitarian activities accompanied many of these movements; there were relief measures for repatriates from abroad and there was assisted return for displaced persons and evacuees, including Chinese, Malays and Burmese.

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[62] Mackenzie, Norman (ed.), *The Legal Status of Aliens in Pacific Countries,* London: Oxford University Press, 1937, pp. 166-168, 184-186, 244-246; and R. Mukerjee, *Le Migrazioni Asiatiche;* Rome, 1936, pp. 91-94, 97-99, 160, 262, 283-288.

Powerful forces of religious and social origin reinforced the developing nationalistic sentiments among the people. The greatest of the population movements, which was basically religious in origin, was the exchange of minorities between India and Pakistan in connexion with the partition of the former British India in 1947.

In order to assess tentatively the future of international migration, the following considerations may be taken into account. Migration between countries as a means of supplying the demand for labour has been a much less important factor during the post-war years than formerly The existing restrictive measures of the receiving countries have limited migration almost entirely to the return movements of former emigrants New migrants are relatively few, for the barriers to immigration are rigid, for unskilled persons at least. Recent tendencies toward increasing participation of the native people in labour as well as in managemen and ownership of estates in countries like Ceylon, Indonesia and Britis North Borneo, and improvements in the adaptability of the local labou force to different types of work in Malaya, British North Borneo and elsewhere, have increased the possibilities for an internal adjustment o people to resources and employment opportunities.

Thus, internal migration has in a measure superseded internationa migration as the principal means of facilitating the required adjustments This situation is perhaps to be considered as characteristic of the dua transition which most countries in the AFE region are undergoing: from the status of colony to that of independent nation and from almos exclusively agricultural economies to more balanced production. Lookin ahead, it should be borne in mind that an adequate distribution of man power resources within the region may well call for intra-regional migra tion in addition to the redistribution effected within each country Moreover, internal movements are often associated with internationa migration. It is to be hoped that emigration and immigration policies wi take these longer-term, but fundamental, factors into account so as t allow and encourage desirable movements, and achieve the mobility o labour supply which is an essential requirement of economic developmen

It is difficult to assess the future of the internal and internation movements resulting essentially from non-economic causes. Most of the movements are the product of forces generated from the specific situation of a particular historical time. It may be argued that, once the movements begun in the past have been completed, stability rather than movement will characterize the area. On the other hand, new antagonisms may arise between peoples and may lead to new movements. It remains true, however, that in the long run the economic forces are likely to remain preponderant. And among these economic forces the most powerful is likely to be an economic development in agriculture and in industry which will result in a redistribution of people within and between countries more in accord with the potentialities of the resources of the region.

CHAPTER III

Manpower and Employment[1]

TRENDS OF POST-WAR MANPOWER AND EMPLOYMENT

The continuing lack of adequate and reliable statistics makes it difficu to define in quantitative terms the characteristics and post-war trends manpower and employment in the AFE region. There are, nevertheles certain distinguishing features of the region's manpower which can established even without accurate statistics. The first and most significa feature is that in the region as a whole the supply of manpower is unusual large in relation to available land resources and capital equipment. A secor feature is that the supply of manpower, while already large, has be continuously on the increase and that its rate of growth has been considerab faster than that of available land resources and capital equipment. Thirdl although the total supply of manpower is large, the supply of skilled ma power — manpower trained in modern industrial techniques — is excee ingly small. Finally, as noted in the 1949 *Survey,* because of the age stru ture of the population in the region, the supply of manpower tends to small in relation to the size of the population.[2]

In most of the countries agriculture employs about 60 to 75 per cent the gainfully occupied.[3] This high proportion of agricultural employment explicable by the high labour requirements involved in existing methods cultivation. In some countries of the region where there has been a hea pressure of population on land, even at the existing level of techniq there is redundant agricultural labour in the sense that the marginal produ of labour is less than the minimum subsistence requirements of the worke Since farming in most of those countries is largely on a family basis, redundance of agricultural labour finds expression not so much in existence of mass unemployment as in the phenomenon of chronic und employment affecting the whole population. Unless it is absorbed elsewh in the economy, this surplus agricultural labour will increase stead year by year with the continuous growth of rural population and, as a res living standards will steadily deteriorate.

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[1] Prepared by the International Labour Office.

[2] United Nations: *Economic Survey of Asia and the Far East, 1949.* (Lake Succ 1950), p. 300.

[3] *Ibid.*

Another characteristic common to most Asian countries is the prevalence of long periods of seasonal unemployment in agriculture. For instance, in India jute and rice growers generally have a period of idleness of seven and a half to nine months,[4] and in some parts of the country the period of idleness in agriculture is estimated at 120 to 200 days per year.[5] Since in these countries the size of farm operated by a rural family is so small that the income it yields is often not enough to provide a minimum subsistence, the economic well-being of such a family is vitally affected by the extent to which it can find subsidiary employment and earn supplementary income during the slack season. This is even more so in the case of landless agricultural workers, the number of whom in some countries has been rapidly increasing.

The size of the labour force engaged in modern factory industries in the Asian countries is still very small. In Ceylon it was estimated that only 10 per cent of the total working population of 2,614,000 in 1946 was engaged in factories and in the construction and utility industries.[6] In India, the number of workers in factories was about 1.5 million[7] as against a total of about 149 million of the economically active population shown in the 1931 census. In Pakistan, in 1948, there were about 132,000 in mining and the factory industries[8] out of a total population estimated at 73 million in the same year.[9] In May 1950, Japan, the most industrialized country of Asia, had about 18 million people in non-agricultural occupations, of which factory employment for about 4.6 million, out of a total employed population estimated at some 37 million.[10]

Modern industries in the region, as will be shown later, are at present operating at low standards of efficiency, and there is need for rationalization. Measures of rationalization may, however, result in throwing a number of the present factory workers out of work if no additional employment opportunities are created to absorb them in the productive system.

By far the largest proportion of the non-agricultural labour force is engaged in the traditional handicraft or cottage industries. Such industries, furthermore, provide important avenues of employment and income for the agricultural population. In China, in 1933, the number of handicraft workers was estimated at approximately 10 million as against about one million factory workers.[11] In India it has been estimated on the basis of census figures that in 1931 there were 6,141,000 persons engaged in cottage industries, 1,482,000 workers in large-scale industries and 228,000 in small-scale industries.[12] In the manufacture of textiles alone, handicraft, cottage and small-scale industry provides full-time employment for approximately 2,500,000 workers in India, 300,000 in Pakistan, 200,000 in Burma and large numbers in other Asian countries.[13]

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[4] All-India Congress Committee: *Report of the Congress Agrarian Reforms Committee*, (New Delhi, 1949), p. 126.

[5] V. V. Sayana: *The Agrarian Problems of Madras Province*, (Madras, 1949), p. 238.

[6] Department of Census and Statistics, *Statistical Abstract of Ceylon, 1949*.

[7] Increased to 2.4 million in 1948. See *Indian Labour Gazette*, Vol. 8, No. 4, October 950, p. 294.

[8] Information from the Pakistan Government.

[9] *Economic Survey of Asia and the Far East, 1949*, p. 315.

[10] Ministerial Secretariat of Labour Ministry, *Monthly Labour Statistics and Research Bulletin*, Vol. 2, No. 8, Aug. 1950, p. 67.

[11] Pao-san Ou and Foh-shen Wang: "Industrial Production and Employment in Prewar China", *Economic Journal*, Sept. 1946. pp. 428-429.

The preponderance of handicraft industries in the existing industrial structure presents the Asian countries with a difficult problem of technological unemployment in the course of industrialization. Large numbers o handicraft workers are likely to be displaced if the new industries to b developed are in direct competition with the handicraft sector of the economy. The extent to which the displaced workers can be re-employed without reduction of income depends, among other factors, on the speed with whic they acquire new productive skills, the level of effective demand and th availability of capital equipment.

In addition to these long-term employment problems, the post-war employment situation in Asian countries has been aggravated by several othe factors. Demobilization threw millions of ex-servicemen and former wa workers on the employment market. There was also repatriation of nationals from abroad, as in the case of Japan and Korea. In India an Pakistan a huge refugee problem, resulting from the partition, had to b met, about 10 million displaced persons having to be resettled. The deart of capital equipment, raw materials and technical personnel has slowed th pace of economic recovery and development, thereby hampering the creation of new employment opportunities. Instability of political conditions has in many cases, had the same result of discouraging economic expansion.

As a result, unemployment has been increasingly felt since 1945. I Burma, the Government stated the problem to be serious, particularly i the oil-fields.[14] In India, while the general employment situation has recently improved somewhat, as evidenced by the increased number vacancies notified to employment exchanges (223,308 during the latt half of 1950 as against 160,291 during the corresponding period of 1949 the pressure of unemployment continues. The number of registered unemployed rose from 274,335 at the end of December 1949 to 330,743 December 1950.[15] While such figures cannot be considered as represent tive of the employment situation as a whole, owing to the limited utilizati of the employment service, they may be taken as indicative of underlyi trends. In Japan, both the population increase, which was estimated at 10 million between 1945 and 1950, chiefly on account of repatriation nationals from abroad, and the slow economic recovery which compelled the government and private enterprise to reduce personnel on a large scale, have caused unemployment to rise in recent years. The monthly average of the estimated number of the unemployed given in the Labour Force Sample Surveys rose from 240,000 in 1948 to 380,000 in 1949 and to 460,000 during the first ten months of 1950.[16] While, according to the same surveys, the percentage of the totally unemployed to the labour force still remains low (less than 1.5 per cent during the first ten months of 1950), there has been a considerable increase in underemployment in agriculture and in urban occupations. In the Philippines also, unemployment has been serious in the post-war years, a total of 956,744 having been registered in 1949.[17] This situation is attributed partly to the slow post-war economic recovery and partly to economic difficulties, such as the abrupt check caused by the Import Control Law under which many industrial and commercial establishments have been compelled to reduce their activities and consequently to lay off their employees.[18] Unemployment is also acute in Viet-Nam and appears to result mainly from insecurity in the country districts and from the decline of home and foreign trade and of industrial production.[19]

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[12] *The Economic Background of Social Policy, including Problems of Industriali tion,* International Labour Office, (New Delhi, 1947), p. 57.

[13] Economic Commission for Asia and the Far East, Committee on Industry a Trade: *Cottage and Small-scale Industries,* (document E/CN.11/I&T/30, 24 Decem 1950), p. 10.

[14] Information from the Burmese Government.

[15] Information from the Government of India.

Various governments have taken measures to relieve the current employment situation. In Burma an *ad hoc* Oilfield Enquiry Committee has made certain recommendations suggesting, among other things, the restoration of order and improvements in marketing.[20] In Ceylon, a scheme has been initiated for "Ceylonisation" in employment with a view to protecting its nationals from unemployment. In India, the Government, while strengthening its work of resettlement, has adopted certain measures to induce industries to accept displaced persons either in employment or in apprenticeship training. In 1949 Japan enacted a law entitled Emergency Unemployment Counter Measures, designed to absorb as many unemployed as possible in both work relief and public works projects. While in the AFE region only Japan has adopted an unemployment insurance scheme, various governments have introduced measures of unemployment relief to provide financial assistance to the unemployed.

While the above measures are all necessary for coping with the immediate unemployment situation, the basic solution to Asia's employment problem clearly lies in the creation of employment opportunities through economic development. The kinds of policy most appropriate for accelerating

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[16] *International Labour Review,* Vol. LXIII, No. 3, Jan. 1951, p. 92.

[17] The Philippines, Bureau of the Census and Statistics, *Facts and Figures about the Economic and Social Conditions of the Philippines, 1948-49,* 1950, p. 5.

[18] Republic of the Philippines, Bureau of Labour, *Annual Report of the Bureau of Labour for the Fiscal Year 1949 to 1950* (mimeographed), p. 13.

[19] Reply of the Government of Viet-Nam to the United Nations in connexion with measures taken to achieve full employment, see document E/1698/Add.12, 24 November 1950.

[20] Government of the Union of Burma, Office of the Director of Information: *Weekly Bulletin,* No. 141.

economic development of the region and the complex of problems involve
are closely examined in other chapters of this *Survey*. Here it is onl
necessary to consider briefly the magnitude of capital requirements fo
achieving the full employment of manpower in those countries at substantially higher levels of productivity. Such capital must be large enough t
equip (*a*) the currently unemployed, including the surplus agricultura
labour existing under the present labour-intensive method of cultivation
(*b*) the annual increase in working population, (*c*) factory workers displaced as a result of rationalization of existing modern industries, an
(*d*) handicraft workers displaced as a result of development of ne
industries. Even after all these groups are employed, the problem has onl
been partially solved. There will still be a need to reduce the labou
requirements in agriculture in order that the productivity and income o
the agricultural population of the region may be substantially improve
Thus additional large sums of capital will be required to equip the worker
released from the land as a result of this change in agricultural technique.[21]
In view of the limited capital supply available to these countries, the proble
obviously can be solved only by stages. Because of the difficulty of raisin
capital it is particularly important that the distribution of total capita
expenditure among different projects of economic development should b
so planned that it will provide the maximum possible volume of employ
ment, so long as this does not come into serious conflict with the objecti
of maximizing the rate of increase in total national output and incom

Productivity and Real Wages

An outstanding characteristic of the manpower of the region is its lo
productivity compared with that in the economically developed countrie
This is accounted for mainly by the low productivity of agricultural labou
For Asia as a whole, the estimated figures of agricultural productivity,
compared with the corresponding figures for other continents, are shown
table 5. It will be noted that, while in terms of output per hectare, agr
cultural productivity in Asia is close to the world average, in terms
output per person it is markedly below. The basic cause is the exceeding
high labour requirements involved in the methods of cultivation at prese
in practice in the region, although the large supply of labour in relation
land and capital resources may also be considered as a reason for the u
of labour-intensive methods. This technological characteristic applies n
only to subsistence agriculture but also to the plantations.

In the few countries where modern industry has already become
fairly important sector of the economy, such limited information as
available indicates that the productivity of modern industry in the region

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[21] For a fuller discussion of the employment problems of the less-developed countr
see International Labour Office, *Action Against Unemployment,* chapter VII, "T
Special Problems of the Less-Developed Areas", (Geneva, 1950), pp. 127-181.

Table 5. Agricultural Productivity in Asia and in Other Continents[a]
(In wheat equivalents in metric tons)

	Production per person in agriculture[b]		*Production per hectare*	
	Pre-war	*1947-48*	*Pre-war*	*1947-48*
Asia	0.24	0.22	1.26	1.20
Other continents				
Europe	1.04	0.88	1.51	1.34
North and Central America	1.80	2.57	1.07	1.50
South America	0.58	0.48	1.28	1.39
Africa	0.12	0.12	0.77	0.73
Oceania	1.94	2.38	1.06	1.20
World[c]	0.42	0.42	1.24	1.30

[a] The productivity figures relate to the production of the intakes; conversion factors for production in wheat equivalents (calorie basis): wheat 100; rye 95.8; barley 64.8; oats 58.4; maize 106.3; rice 82.9; sugar (raw) 105.4; and potatoes 21.0. These productivity figures, however, are affected by differences among the various continents in the extent to which persons classified as engaged in agriculture carry on various other activities in addition to the strictly agricultural work. In under-developed countries where there is not a high degree of specialization in economic activities, families living on the land devote a large proportion of time to various handicrafts and other kinds of productive work which in more highly developed countries are done to a greater extent by workers classified in non-agricultural industries. The result, therefore, appears to be an exaggeration of the constant differences in productive figures such as those presented in the table.

[b] Including persons engaged in agricultural occupation and their non-working dependents.

[c] All figures exclude USSR.

Source: FAO Monthly Bulletin: *Food and Agricultural Statistics,* Vol. II, No. 9, Sept. 1949, p. 4.

likewise very low in comparison with the level in the economically developed countries. By comparing the value of output produced per factory operative on the basis of pre-war data, one study discloses that "a Chinese worker can turn out only one-ninth of the product of a German or an English worker and one-nineteenth that of an American".[22] In the Indian cotton industry it was reported than on the average the spindle-operative ratio was as high as 22 workers per 1,000 spindles, whereas the corresponding figures were only 6.7 workers in Lancashire and 4.5 workers in the United States.[23] Even in Japan, where the cotton industry is generally known to have attained a high level of efficiency, a recent investigation based on a selected sample estimated that, with the production per man-hour of the United States worker as 100, the figure for the Japanese worker was 40 in the spinning of yarn of 30 and 40 counts, and 22 in the weaving of cloth of medium grades (the corresponding figure for the United Kingdom being 60 and 33 respectively).[24] In the heavy industries which have already been developed in the region, the output per worker is similarly small compared with that in the advanced countries. For instance, in the manufacture of structural steel in India, the Chairman of the Tata

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[22] Pao-san Ou and Foh-shen Wang, *op. cit.*, p. 433.

[23] In a speech made by Mr. Shri Naval H. Tata, Indian employers' delegate, at the third session of the Textiles Committee of the International Labour Organisation.

[24] W. T. Kroese: *The Japanese Cotton Industry,* (Leiden, Holland, 1950), p. 63.

Iron and Steel Company stated that output per worker in 1949 was half a ton a month as compared with an average of 5 tons a month per worker in the United States steel industry.[25]

So far no systematic comparisons have been made of the relative productivity of labour in the following major sectors of the economy: (*a*) subsistence agriculture; (*b*) plantations; (*c*) handicrafts and (*d*) modern industry. As between agriculture and modern industry, the pre-war estimates of income per worker in China and India suggest that in these two countries the average productivity of labour in agriculture was markedly below that in modern industry. In China one estimate relating to the period 1929-1934 places average annual income per head of the population engaged in modern industry at more than five times the average annual income per head of the agricultural population.[26] In India, it was estimated that in 1931/32 average annual income per urban worker was over three times the average annual income per rural worker.[27] As between plantation and subsistence agriculture, for reasons of higher organizational efficiency and larger capital investment, productivity of labour in plantations is generally believed to be higher than in subsistence agriculture.[28] This view, however, has not been statistically tested, as far as Asian countries are concerned. There is a similar lack of factual data on the difference in labour productivity between handicraft and cottage industry and modern industry, although the limited available evidence indicates that the difference is striking. According to one estimate, in pre-war (1936) China the ne output of the factory worker was 2.6 times greater than that of the handicraft worker.[29] In India, one investigation made during the war revealed that in cotton weaving the value of output per worker in modern mills wa about three times that in small-scale industry with power looms, eigh times that in cottage industry with automatic looms, and fourteen time that in cottage industry with handlooms.[30] Such great differences in outpu per worker are to be expected from the differences in the degree of capita intensity characteristic of different sectors of the economy.

Owing to the dearth of factual data it has not been possible to analys and compare accurately the post-war productivity trends in various countries of the region. Some broad observations, however, may be made. Firs as a result of the disruption of the economy by the war, the level of prc ductivity in the region during the early post-war years fell considerably below pre-war and, secondly, in many of these countries the rate of its subsequent recovery has been very slow.

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[25] In a speech made by the Chairman of the Annual General Meeting of the Tat Iron and Steel Company, 1949, quoted in the *Metal Bulletin,* 13 September 194 (London), p. 11.

[26] Liu, Ta-chung: *China's National Income, 1931-36 — An Exploratory Stud* (Washington, D.C., 1946).

[27] V. K. R. Rao: *The National Income of British India, 1931/32,* (London 1940 p. 187-188.

[28] *Cf.* International Labour Office: *Basic Problems of Plantation Labour,* report f the first session of Committee on Work on Plantations of the International Labou Organisation, Bandoeng, 1950 (Geneva, 1950), pp. 19-20 and pp. 105-106.

[29] Pao-san Ou and Foh-shen Wang, *op. cit.,* p. 433.

[30] P. S. Lokanathan: "Cottage Industries and the Plan", in *Eastern Economist,* (Ne Delhi), 23 July 1943.

In agriculture, according to the approximate estimates given in table 5, for Asia as a whole production of eight major crops (in wheat equivalents) per head of agricultural population had declined to 92 per cent of pre-war by 1947-48.[31] Estimates for later years are not yet available. Nevertheless, considering the fact that the rural population has increased far more rapidly than agricultural output since the end of the war, it may be inferred that the present productivity of agricultural labour in most countries of the region still remains below the pre-war level.

Labour productivity in modern industry was also heavily reduced after the war as a consequence of the irregular supply of raw materials caused by dislocation of transport, of the wartime deterioration of capital equipment, of the lack of adequate replacement, and, in many instances, of industrial unrest. In India, according to the *Eastern Economist* indices, output per worker in 1948/49 was only 60 per cent of the 1939/40 level in the cement industry, 67 per cent in the sugar industry, 68 per cent in the iron and steel industry, 72 per cent in the paper industry, 78 per cent in the jute industry and 91 per cent in the cotton manufacturing industry.[32] In the case of iron and steel, it was reported that in the Tata Iron and Steel Company the average output of finished steel per employee was raised from 16.3 tons in 1948/49 to 17.66 tons in 1949/50, the latter figure being, however, still some 23 per cent below that in 1939/40.[33] Figures are lacking on productivity in other Indian industries during 1950. But the *Eastern Economist* has observed that "in other industries there has been no recovery at all, and in others ground has been further lost."[34] It is generally recognized that the labour force of the existing Indian industries could be more efficiently utilized. However, it is feared that without new employment opportunities any attempt at thorough rationalization of existing industrial undertakings may result in large-scale technological unemployment.

In Japan, industrial productivity decreased drastically immediately after the war. The rate of recovery in subsequent years differed considerably between mining and manufacturing. By December 1949, the average hourly output per worker in manufacturing was estimated to have risen by 120 per cent compared with the average of 1947, while in mining it had increased by only 45 per cent.[35] It is, however, noteworthy that even in manufacturing the average productivity per man-hour for 1949 was estimated at not more than 69 per cent of the 1932-36 average.[36] Among the leading manufacturing industries in Japan, up to the end of 1949 productivity had recovered rapidly in the metal industry but slowly in the textile industry. In March 1950, according to one estimate, labour productivity in steel rolling mills, with 1938 as 100, had risen from 73.5 in September 1949 to 108.2.[37] The improvement in labour productivity was due, to a considerable extent, to the measures of rationalization undertaken by Japanese industrial enterprises in the later post-war years.

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[31] The figures, however, are uncertain in this respect, in view of the fact that no reliable information on the increase of population during the interval is available for the greater part of the Asian population.

[32] *Eastern Economist*, "Productivity in Indian Industry" (New Delhi), 12 May 1950, pp. 720-721.

[33] *Eastern Economist:* Annual Number 1950, 29 December 1950, p. 975.

[34] *Ibid.*, p. 975.

[35] Japanese Ministry of Labour, Labour Statistics and Research Division: *Analysis of Labour Economy in 1949* (Tokyo, 1950), p. 80.

In the mainland of China, although comparable pre-war productivity figures are not available, productivity in modern industries was reported to have recovered rapidly since the establishment of the Central People's Government in 1949. The average coal output per man-shift in North-east China in 1949 rose to 0.54 ton compared with an average of 0.36 ton during the period of Japanese occupation.[38] According to a sample survey of factories and mines in that region, labour productivity by December 1949 was about 33 per cent greater than in June 1949.[39] Further progress was made during 1950. The average labour productivity in state-owned industrial enterprises in North-east China by June 1950 was estimated to have increased about 20 per cent compared with the level reached at the beginning of the year.[40] In coal mining, labour productivity during the second quarter of 1950, as compared with the average for 1949, was reported to have gained on the average approximately 29 per cent in North-east China, 32 per cent in north China, 11 per cent in east China and 52 per cent in central China.[41] In the cotton manufacturing industry the average output of cotton yarn of 20 counts per spindle per 20 hours in private mills in Shangha was estimated to have increased to 0.842 lb. by September 1950 as agains 0.674 lb. in the corresponding month of 1949.[42]

As regards post-war trends in real wages, information is available fo only a few countries in the region and this is mostly limited to industria workers. In India, according to one estimate, real average earnings pe factory worker in terms of rupees adjusted to the 1939/40 cost of livin were 235.5 in 1945/46, 237.3 in 1946/47, 252.3 in 1947/48, 266.4 in 1948/4 and 298 in 1949/50 as compared with 287.5 in 1939/40.[43] Thus the tren seems to have been moving slowly upward. By 1948/49, the average rea earnings of factory workers were still about 7 per cent below pre-war. In 1949/50, the preliminary figure increased to 4 per cent above pre-war, but may not reflect the true conditions of workers' living, which may have deteriorated with sharp reductions in food rations due to the growing food scarcity.

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[36] *Ibid.*, p. 80.

[37] See Mitsubishi Economic Research Institute, *Monthly Circular:* Survey of Ec nomic conditions and foreign trade in Japan (Tokyo), August 1950, pp. 17-20.

[38] Report of Kao Kang, Secretary of the Northeast Bureau of the Chinese Communi Party Central Committee to the first conference of North-east China members of th Chinese Communist Party on 13 March, 1950 (News of New China News Agenc 6 June 1950).

[39] *Ibid.*

[40] Northeast Bureau of Industry, Statistical Division: "Report on the Operation the Production Plan of State-owned Industrial Enterprises in Northeast China durin the first nine months of 1950", in *Hsin Hua Yu Pao* (New China Monthly Revie Peking, in Chinese), December 1950, p. 373.

[41] *Hsin Hua Yu Pao,* November 1950, p. 369.

[42] *Hsin Hua Yu Pao,* December 1950, p. 371.

[43] *Eastern Economist,* Annual Number 1950, 29 December 1950, p. 980.

In China, although accurate data on recent movements in real wages are not available, it is known that during the last two years the price level has been more or less stabilized, thus removing a factor which had continually depressed real wages since the war.

The level of industrial real wages in Japan in 1947, according to the index compiled by the Economic Stabilization Board, had fallen to 30 per cent of the average of 1934-36.[44] However, it rose steadily to 48 per cent in 1948 and 65 per cent in 1949. The index for August 1950 stood at 87 per cent of the pre-war average.[45] The recovery in real wages during recent years is attributable partly to the falling trend of consumer prices; since January 1950, the reduction in the tax on earned incomes has been an additional contributing factor.

In the Philippines real wages during the post-war period moved differently for different classes of workers. In Manila, with 1941 as 100, the index of real wage rates rose from 36.8 in 1945 to 96.5 in 1949 for skilled industrial workers and from 38.1 to 114.8 for unskilled industrial workers. The real wage rate for agricultural workers in 1949 was still about 10 per cent below that in 1941.[46]

In Burma, average monthly money earnings per male worker in manufacturing rose from 72 Rs. in 1946 to 82 Rs. in 1947, 95 Rs. in 1948 and 101 Rs. in 1949. No appropriate cost of living index is available for converting these figures into an index of real earnings. The index of cost of living in Rangoon, however, showed the following movements (with 1937 as 100): 1946, 381.2; 1947, 388.5; 1948, 360.2; and 1949, 486.5. A rough comparison of these two time series would seem to suggest that the real earnings of industrial workers in Burma in 1949 were about 10 per cent higher than in 1946. In Ceylon, though statistics of earnings are not available, it is known that, since 1946, wage rates for industrial and plantation workers have been adjusted by government regulation to the rise in cost of living.

The incompleteness of the above survey of levels and trends of productivity and real wages in countries of the AFE region points to the imperative need for more statistical information on these subjects.

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[44] Economic Stabilization Board of Japanese Government: *Recent Trend of Japan's Economy* (October 1950), pp. 45-47. The money wage series used for conversion into real wages excludes tax on earned incomes.

[45] Owing to the revision of method of survey since January 1950, only approximate comparisons can be made between the index of real wages for 1950 and that for preceding years.

[46] Economic Survey Mission to the Philippines: *Report to the President of the United States* (Washington, D.C., 9 October 1950), p. 16.

LABOUR SUPPLY AND ECONOMIC DEVELOPMENT

A major obstacle to economic development in the Asian region has been the shortage of skilled manpower. In order to remove this obstacle, it is necessary first to devise appropriate methods for estimating the size of the shortage, and then to develop adequate training facilities to remedy it.

Furthermore, in order to accelerate economic development, workers need not only to acquire skills, but also to be sufficiently mobile to meet quickly the changing demand for labour, both geographically and occupationally, as economic development proceeds. An additional problem is, therefore, to improve the employment service in the region.

Need for Employment Information

The adaptation of training facilities to the manpower requirements of a developing economy depends primarily on an accurate and continuing knowledge of the nature of these requirements and of the available manpower resources. It is necessary to ascertain how many workers and technicians should be trained and for what occupations, and to determine the level of skill to be attained. At the same time, the number of available workers belonging to various occupations must be known as well as the number of those that can be trained by using existing training facilities. These estimates are required in respect of immediate short-term needs as well as of long-term needs arising out of the implementation of development programmes.

Not all these requirements are met in the Asian countries, even in those which have an employment service. Limited local employment office facilities, inexperienced staff and lack of techniques for gathering information, such as a uniform system of occupational classification, make it difficult for the established services to collect, analyse and disseminate the necessary employment information.

For these reasons certain Asian countries have tried to obtain the required information by other means than employment services. Thus, India and Pakistan have both carried out in recent years surveys of their resources and requirements in respect of specialists and technicians. However, although such surveys represent an exhaustive inventory of the situation at a given time, they do not correspond entirely to the needs. Constant up-to-date information on the situation and trends of the employment market is required for the drawing up of economic policies, in order to enable measures to be taken in time to provide industry with sufficient workers of the necessary skills.

The best method to achieve this is by establishing close and continuous contact with employers with a view to ascertaining their present and future requirements for various categories of workers. In the absence of a well-developed employment service, special measures may well have to be taken in order to obtain this information promptly, by means of special and regular inquiries with employers' organizations and other bodies. Obviously, the development of the employment service must be pushed on concurrently with these measures in order to enable it to take over the task as rapidly as possible. In the meantime, however, the establishment on an *ad hoc* basis of the necessary mechanism and procedures for the collection of employment information is necessary.

Development of the Employment Service

The development of the employment service, which is essential to employment information programmes, will also provide the machinery required to organize the adjustment of labour supply and demand under the complex conditions of the employment market in an industrial economy. Progress has been made in this field by several Asian countries during the last decade. The need for manpower mobilization at the beginning of the last war and the problems of demobilization and resettlement of the armed forces and war workers at the end of the war led to the creation of employment services in several countries, including Burma, China, India, the Federation of Malaya and Singapore, Pakistan and the Philippines. Elsewhere, particularly in Ceylon and Japan, employment services have been reorganized and improved.

These efforts were pursued during 1950, with a view chiefly to increasing the employment service's coverage of the employment market, improving techniques and facilities, and solving organizational problems. Thus in Japan, where general unemployment prevails, the employment service has improved its placement techniques, and specialized facilities have been provided for harbour transportation workers and nurses. The Indian employment service now consists of sixty-four exchanges and fifty-six district offices in eleven regions. It is steadily winning the confidence of both private employers and job seekers, as reflected in the increasing use of the service. In Pakistan, the twenty-three employment exchanges which have been in operation since 1947 are being reorganized. A new Manpower and Employment Department was set up in November 1950, which exercises central control over employment and training services. In the Philippines, efforts are being made to improve existing employment services by enacting legislation in conformity with the Employment Service Convention and Recommendation adopted by the International Labour Conference in 1948, under which nation-wide employment services would be set up.

National measures for the establishment or development of employment service organizations are a necessary part of any programme for the elimination of oppressive employment practices such as the labour boss system, which still prevails in many areas of the Asian region. Thus Japan is endeavouring to eliminate the system in the dock and harbour industry. India, during 1950, ended the traditional employment practice in railways, which used to reserve posts only for the sons and relatives of their employees.

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Faced with the realities of an overabundance of unskilled workers, predominantly agricultural economies and limited public finances, the Asian countries have been seeking to fashion their employment services to the pattern of local needs, priorities and conditions. Although the standards and methods of employment service administration evolved in western countries have in many cases been adapted to Asian requirements, there is still a recognized need for developing new methods of organization and operation to solve the unprecedented employment problems of the region.

Vocational Training Problems

Skilled manpower requirements

The shortage of skilled manpower, one of the main factors slowing down the pace of economic development, is felt particularly in the industrialized areas and in the areas in course of industrialization. In 1950 the Economic Commission for Asia and the Far East undertook a widespread inquiry into the main industries for which most countries of the region have drawn up development plans.[47] The results of this enquiry show that in every field the implementation and even the preparation of projects are hampered by a shortage of higher technical and administrative personnel. The same survey also reveals a severe shortage of skilled and semi-skilled workers, particularly in the construction and mechanical trades and the transport industry.

This general shortage can be ascribed primarily to the fact that occupations in an industrial economy are radically different from what they were in an economy based on handicrafts. Traditional training facilities, and in particular apprenticeship for the handicrafts, are no longer sufficient to train the necessary manpower, and at the same time new training facilities specially adapted to the new industries in the countries of the region are at present quite insufficient. Furthermore, such training programmes as have already been drawn up or are in operation often fail to meet the real requirements of industry, owing mainly to the lack of contact between training institutions and industrial undertakings.

Vocational training needs

Requirements in the field of vocational training are numerous and complex and vary between different areas according to the level of economic development attained and the objectives of economic plans.

In industrialized areas, such as can be found in China, India and Japan and, on a more limited scale, in certain parts of Indonesia and the Philippines, the main training problems arise from the need to increase the number of management personnel, technical and supervisory staff and skilled workers, to adapt workers to new techniques, and to raise productivity.

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[47] *Inquiry into fields of economic development handicapped by the lack of trained personnel,* by the Economic Commission for Asia and the Far East, United Nations, Bangkok (E/CN.11/I&T/39 and annexes A-K, 12 December, 1950).

Technical training is already well-developed in several countries, in particular Japan, India and the Philippines, which possess good networks of technical and vocational schools or training courses. Less progress, however, has been made in the field of training within undertakings, except in Japan, where a special effort has been made by several industries in respect of both the provision of induction training for new workers and industrial apprenticeship. The training of adults in centres has also been organized in some countries, particularly India, Pakistan and Japan. The latter two countries are also making special efforts at present to develop supervisory training, particularly through the introduction of the Training-Within-Industry method (TWI). Japan has recently organized the training of disabled workers along modern lines.

In other areas, industrialization is only beginning, and training problems are more acute and difficult to solve. Training requirements in these areas relate particularly to the rapid provision of a sufficient number of engineers and technicians, of a nucleus of management and supervisory staff and of large numbers of skilled and semi-skilled workers, with a view to the implementation of industrial development schemes. Furthermore, since such a training programme cannot be carried out immediately in the countries concerned, the utilization of foreign technicians and the training abroad of national technicians are of special importance.

In Pakistan, a number of these problems have already received attention. Technical schools, now numbering 216, will be increased to 293 in 1957, and two higher polytechnical institutes will be set up. The training and research facilities of the Scientific Institute of the Dacca and Punjab Universities have been improved, and new specialized institutes for the leather, textile and mechanical industries will be organized. Efforts are also being made to develop adult training in centres and supervisory training, while the training abroad of Pakistani citizens and the use of foreign technicians are being intensified.

In Indonesia, technical training is being developed both through the creation of research laboratories and technical institutes and through increasing the number of technical schools. New training facilities for adults have been organized since 1949, and the creation of one large apprenticeship centre for the rapid training (six to twelve months) of 1,000 apprentices is under study. Other problems receiving attention are the training of instructors, supervisory training, and the need to bring in foreign experts to staff agricultural institutes and research laboratories.

In the Philippines, the possibility of improving teaching methods is being carefully studied, while in Thailand large-scale developments and changes are being considered by the Government, particularly in the organization of higher technical training facilities.

Wide areas throughout the Asian region still have a traditional type of economy, based on handicrafts and cottage industries. Training problems in these areas are substantially different from those arising in areas where modern industry has been or is being developed. Attempts by several governments, including Burma, Ceylon, India, Indonesia and the Philippines, to develop and modernize their handicrafts and cottage industries are aimed at organizing them on more rational lines in order to reduce production costs and to raise productivity. It is hoped in this way to enable these industries to maintain and even strengthen themselves in face of competition from large-scale industry, thus providing continuous employment opportunities for the local population. Such a policy raises training problems relating both to the introduction of new techniques and to increasing the number of craftsmen.

Both Indonesia and the Philippines have faced these problems since before the war, and have created special training services for handicrafts. In Viet-Nam, Cambodia and Laos, too, there are special training schools for craftsmen. In 1948, Burma began organizing a special network of vocational training schools for modernized handicrafts. Not only will the training centres increase the number of skilled craftsmen in the economy, but provision is also made for admitting up to 50 per cent of the best pupils to two upgrading centres, where the trainees' skills will be adapted to the special requirements of new industries.

Perhaps the most important training needs of Asian countries, however, relate to the development of agricultural training in rural areas. In most Asian countries very little progress has been made in this field until now, with a few exceptions such as the Philippines. Generally speaking, rural areas require two main types of training: agricultural training, including knowledge of the soil, plants, farming methods, care of livestock, etc., and vocational training in the use and maintenance of equipment, materials, buildings, drainage and irrigation systems, etc., as well as in the management of an agricultural undertaking.

In addition, general education must be developed: as long as almost complete illiteracy prevails among the majority of agricultural workers, it will be extremely difficult to organize training efficiently. The best results may probably be expected from a combination of general education with a type of pre-apprenticeship based on agricultural requirements, which could be either integrated in the last two or three years of primary school or provided during a supplementary year of post-primary schooling.

LABOUR LEGISLATION

To promote the welfare of the region's working population, it is not sufficient merely to create opportunities for productive employment and to improve the employment services and facilities for technical training. There is also a need to improve directly the labour and social standards of the workers through legislative action. In most Asian countries, labour legislation has shown substantial progress since the war, though much still remains to be done. In the following pages a brief account is given of recent legislative development in these countries with respect to hours of work, rest periods and paid holidays, workers' welfare, wage policy, women and juvenile labour, industrial safety and hygiene, industrial relations and labour disputes, and social security. Certain problems raised by various aspects of labour legislation, particularly in relation to economic development, are indicated. The question of enforcement is considered at the end of this section.

Hours of Work, Rest Periods and Holidays with Pay

As a result of new labour legislation adopted since the end of the war, conditions of work have improved in many Asian countries. In Burma hours of work in factories have been reduced from 54 to 44 a week and from 10 to 8 a day, and in mines the weekly working hours have been limited to 40 for underground workers. In India no adult worker in factories may work for more than 9 hours per day or 48 hours per week. In Japan the Labour Standards Law limits the hours of work to 8 in the day and 48 in the week, and since July 1949 the working hours of government employees in Japan have been reduced to 44 per week. The principle of an eight-hour day is also generally accepted in other AFE countries.

The provision of rest intervals, the limitation of spreadover to a certain number of hours per day, the regulation of shifts, and the granting of a weekly rest of one day or one and a half days and of compensatory holidays, all help to ameliorate the conditions of work in these Asian countries where such provisions exist. Increased rates of overtime pay, such as double rate for work accomplished in excess of 9 hours per day or 48 hours per week under the Indian Factories Act, 1948, have also raised the earnings of the worker.

Progress in legislation in respect of paid holidays during the post-war years has been more rapid in some Asian countries than in others. The scope of its application is sometimes restricted as compared to that of the industrially more advanced countries or the coverage of the international standards set forth in the Holidays with Pay Convention adopted by the International Labour Conference in 1936. On the other hand, the length of the holiday often exceeds the six working days per year specified in the international standards. For example, in India, the Factories Act, 1948, provides an annual paid holiday for adults at the rate of one day for every 20 days of work during the previous year, subject to a minimum of 10 days, and for young persons, one day for every 15 days of work, subject to a minimum of 14 days per year. The Madras Non-Power Factories Act, 1947, provides 12 days' holiday with pay after 12 months continuous service, while Shops and Establishment Acts in various states in India grant similar or longer paid holidays. The holiday provisions in the Associated States of

Indochina are also fairly liberal with respect to the length of the annua holiday. The legislation or practice of granting a number of public or lega holidays, including religious festivals etc., also serves to provide mor days of rest for the worker.

During 1949 and 1950 the developments in legislation bearing on hour of work and related matters appear to be more in the nature of consolidatin gains already made rather than major enactments. For example, Factorie Rules have been gazetted in 1950 in various states in India, such as Bombay Delhi, Madras, West Bengal and Saurashtra, to carry out the provisions o the Factories Act, 1948. Extension of the scope of application of existing legislation occurred, such as the extension of the Madras Shops and Establishment Act, 1947, to twelve municipalities and seventy-one major Panchaya areas, and the extension in Pakistan of the Bengal Shop and Establishmen Act, 1940, to four municipalities in East Bengal. In China, regulations wer promulgated by the Central People's Government specifying that hours c work and rest periods, within the framework of an 8 to 10 hour workin day and certain other limitations, should be among the subjects for collectiv agreements between management and labour. In Viet-Nam, regulations o various conditions of work were issued in 1950 under the decree of 193 for European and assimilated workers. In Singapore an ordinance to provide a weekly holiday for employees of shops, restaurants and theatres wa passed in 1949 by the Legislative Council. In the Federation of Malaya similar ordinance was passed in 1950.

While legislation on conditions of work has made substantial progress i many Asian countries since the war, the scope of its application is sti very limited. Apart from agricultural workers, there are numerous categorie of non-agricultural workers, such as those in small or cottage industrie small retail businesses and domestic service and casual labour in town who are not covered by existing legislation. The gradual expansion of th scope and content of such legislation, therefore, forms a necessary part future programmes of labour reform in Asia.

A more fundamental problem for Asian countries now engaged acceleration of economic development is to achieve an appropriate balan between efforts for maximum output and measures designed to give workers adequate protection in hours of work and related matters. Pr tective legislation and its enforcement, by eliminating many of the abus and malpractices of the past, would reduce to a certain extent the excessi fatigue, low morale, and other obstacles to the efficiency of labour resulti from long hours or inefficient organization of working time. In additio there is an equal need to raise labour efficiency by better methods of produ tion and better techniques of management. Besides adoption of more ef cient physical equipment and processes, measures towards this end al include more efficient organization of hours of work, rest periods and shif scientific analysis of work operations and other measures which, direct or indirectly, stimulate man-hour output.

Workers' Welfare

Considerable welfare legislation has been enacted in Asian countries since the war. In India, the Factories Act, 1948, contains new or improved provisions concerning welfare officers, canteens, crèches, shelters and other welfare facilities. Additional major enactments include the Coal Mines Labour Welfare Fund Act, 1947, and the Mica Mines Labour Welfare Fund Act, 1946. In 1950, the gains previously made were consolidated by framing detailed rules and regulations for the implementation of welfare legislation. For example, the Government of Bombay made rules concerning the construction, operation and personnel of canteens, crèches, etc.[48] The Government of West Bengal issued the Factories (Welfare Officers) Rules, 1950.[49] The scope of application of some legislation was extended to areas and categories of workers not previously covered.

In the mainland of China, improvements of welfare facilities are provided for in the Regulations Concerning Relations between Labour and Employees in Private Undertakings recently issued by the Central People's Government. In Japan, the Labour Standards Law of 1947 and the Enforcement Ordinance and Rules thereof contain welfare provisions fixing minimum standards for such welfare facilities as medical treatment and dormitories. In Pakistan, the Coal Mines Labour Welfare Fund Rules of 1949 make an important advance in the administration of workers' welfare.

Among specific fields of welfare, canteen and other feeding arrangements are receiving most immediate attention in many undertakings in Asian countries. There has also been a continuous increase in crèches and other child-care services at or near the place of work, although in many instances there seems to be a lack of proper supervision. The importance of workers' education is likewise appreciated in all Asian countries, but methods tend to vary according to the division of responsibility between general public education and special facilities for workers.

The problem of workers' housing has been under study by many government authorities and tripartite boards. In India a ten-year scheme for industrial housing has been drawn up in Hyderabad; the Mysore Labour Housing Act also deserves special mention. In the Philippines a Housing Act was passed in 1950, which, however, relates to housing in general. In North-east China, 13 per cent of the total investment in industrial construction in 1950 was earmarked for building workers' housing and it was expected that by the end of the year about 70 per cent of workers in North-east China would be able to live in houses built by the Government. For the region as a whole, progress in this field has been rather slow. High costs and shortages of building materials and difficulties of financing are among the major factors retarding its development.

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[48] *Bombay Government Gazette,* 13 April 1950.

[49] *Calcutta Gazette,* 27 July 1950.

The basic problem of poverty in Asian countries raises important issues with respect to labour welfare. From the point of view of the individual Asian worker, welfare measures have the effect of supplementing his real income and improving his efficiency and potential earning capacity. The raising of labour welfare standards is recognized as a condition of increased production, which, in turn, is the major basis for social progress. In the short run, however, over-all poverty, as expressed in the low level of national income of Asian countries, means that the resources available for both social and physical investment are limited. The importance of social investment, as well as physical investment, calls for careful planning in the allocation of resources, so as to obtain the maximum welfare measures commensurate with the desired rate of economic development.

Wage Policy

In the field of wage policy the immediate problem facing the governments of all Asian countries since the war has been to protect workers' standards of living from deterioration as a result of rapid rises in the cost of living. The methods employed vary in different countries of the region. In India, Pakistan and Philippines awards of industrial tribunals set up by legislation have been the main instrument to secure for wage earners reasonable rates of remuneration and appropriate adjustments in such rates to offset changes in the cost of living. These awards are binding on the employer as well as the worker for specific periods. This method, however, applies only to cases where an industrial dispute already exists or is likely to arise. It does not benefit workers employed in thos industries where labour is too weakly organized to threaten an industria dispute. In Ceylon since 1946 the employer has been required by government regulation to adjust wage rates periodically to changes in the cos of living. In the Federation of Malaya the Wages Council Ordinance o 1947 provides, by the establishment of wage councils and otherwise, fo the regulation of the remuneration and conditions of employment of th worker. In Japan the upward revision of post-war wage rates has bee secured mainly through the machinery of collective bargaining, mad possible by the rapid post-war growth in trade union movement unde the encouragement of the Government.

As regards long-term wage policy, a significant development in Asia countries during the past decade has been the enactment of minimu wage legislation providing for the statutory fixation and enforcement o minimum rates of wages. The outstanding examples of such legislativ action are the Ceylon Wages Boards Ordinance of 1941, the India Minimum Wages Act of 1948, the Burma Agricultural Labourers' Minimum Wages Act of 1948 and the Burma Minimum Wages Act of 194 In 1949, in face of a sharp decline in the price of rubber, the Governme of Ceylon decided to abolish the Wages Board for that trade and le the employer free to pay his workers at rates lower than those previousl fixed by the Wage Board. When the price of rubber recovered afte the devaluation of sterling, the Wage Board machinery was restored but estates with an area of twenty-five acres or less were exempt from its operation. This experience in Ceylon illustrates the practical difficulties in determining and maintaining statutory minimum wage rates in those Asian countries where workers' wages are subject to wide fluctuations because of the instability of the prices of their produce.

In India the Minimum Wages Act of 1948 is concerned primarily with employment where wages have been particularly low. The minimum rates of wages payable in most such employment were due to be fixed by the Government in 1950, but owing to a number of practical difficulties this time limit has had to be extended by one year. In addition to the Minimum Wages Act, a Fair Wages Bill has now been before the Indian Parliament. The Bill seeks to fix "fair wages", in the first instance, for workers employed in factories and mines. The "fair wage" will, so long as the cost of living exceeds 185 to 200 per cent of the 1939 level, consist of a basic rate and a cost-of-living allowance, the latter to be adjusted according to graduated scales to be prescribed by the Government.[60]

The above examples show that, since the war, governments in many Asian countries have taken upon themselves a greater responsibility for the determination of wage rates not only because of the immediate necessity of protecting workers' standards of living during post-war inflation but also with a view to achieving long-term social objectives. There are, however, a number of important problems in the field of wage policy which still await attention, for example, that of wages in unorganized industries, such as agriculture, handicrafts, commerce and domestic service. In these industries there are no strong workers' organizations to protect the interests of the workers; consequently, malpractices in respect to wage payments are widespread and wage levels are particularly low. The need is to devise effective measures to ensure a minimum living wage for workers in the industries.

Rationalization of the wage structure in individual industries forms another important problem for the Asian countries. It is a well-known fact that in a large number of cases the wage differentials between workers engaged in different occupations are no indication of their differences in skill and, furthermore, workers in the same occupations often receive widely different rates of wages. This situation not only entails social injustice; it has also been a source of industrial disputes and a cause of unnecessary labour turnover. There exists, therefore, an urgent need for the standardization of wage rates for the different occupational categories and the fixing of wage differentials on a scientific basis.

A more fundamental aspect of wage policy for Asian countries is the need to establish a proper relationship between wages and productivity in the process of economic development. By raising workers' efficiency as a result of better nutrition and health and by stimulating their incentive for greater effort, increased wages can bring about a substantial increase in labour productivity. The extent to which this can be promoted by appropriate systems of wage payment deserves careful investigation. On the other hand, in distributing the fruits of increased productivity resulting from economic development, it is equally essential to recognize the need for careful planning so as to ensure that the need for an immediate rise in workers' standard of living is properly balanced against the need for rapid capital formation.

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[60] *The Gazette of India,* Part II, Sec. 2, 19 August 1950, pp. 315-334.

Women and Juvenile Labour

A notable feature of post-war developments in legislation concerning women's employment in Asian countries is progress in maternity protection. The practice whereby employers were obliged to bear the expenses for maternity benefits, which has apparently had an adverse effect on women's employment opportunities, is tending to be discarded in favour of a system of payments from special public funds. Legislative provisions have been made, particularly in Ceylon, China, India, Indonesia, Pakistan and Viet-Nam, as regards maternity leave, security of employment, maternity benefits and the provision of medical facilities, although these are not all yet in operation.

In the mainland of China, the Labour Insurance Regulations recently issued by the Central People's Government provide for measures of maternity protection which are more favourable to women workers than the provisions of the Factories Act, 1936. In India the system of maternity protection has also been greatly changed since the promulgation of the Employees' State Insurance Act, 1948. The new legislative provisions on this subject in these two countries are discussed in the section on social security below. In certain provinces of India during 1949 and 1950, efforts were made to increase the period of maternity leave under the existing laws, and to extend maternity protection to women employed in fields not yet covered, e.g. the sugar industry in Bombay. A draft bill is being considered by the Government of India which would cover women in tea, coffee, rubber and cinchona estates above a specified size. In Japan the Labour Standards Law, 1947, which applies to industry, commerce and agricultural undertakings, provides for maternity leave, nursing breaks and permissive leave during menstruation, whereas the Child Welfare Act, 1949, provides for the protection of the health of expectant, nursing and working mothers, and day nurseries for the children of working mothers. In Pakistan, also, maternity leave for women employed in mines has been extended, and provisions for maternity leave and benefits for women in tea plantations and factories have been made in East Bengal.

Protection of women workers involves the regulation of conditions of work. Considerable efforts have been made as regards industrial work, in particular, to provide for prohibition of night work and for health protection and safety in hazardous occupations. However, while it is imperative to improve working conditions for women, it is necessary to take into account the economic conditions prevailing in Asia and the need to avoid any substantial jeopardizing of women's employment opportunities.

By the regulation of conditions in a branch of activity which it is relatively easy for the government authorities to supervise — like larger factories — women may be driven into unregulated fields of employment where conditions are perhaps more detrimental to their health and well-being than in regulated industry.

Several lines of post-war development have had an important bearing on youth employment in Asia. Foremost among the youth problems now engaging the attention of various Asian governments is that of education. Newly-framed constitutions, such as those of Burma and India, underline the importance of this question. In India, it is planned that the State should meet its obligations in this respect by providing, within a period of ten years from the commencement of the constitution, a programme of free, compulsory education for all children under the age of fourteen years. In Japan, legislation adopted in 1947 requires that nine years of free general education shall be made available for all boys and girls. Furthermore, the Employment Security Bureau of the Japanese Labour Ministry maintains a close link with young workers about to leave school and is rapidly increasing its influence. In the Federation of Malaya large sums are to be spent on education under the Six-Year Development Programme. In the Philippines, the educational system shows a trend towards strengthening the position of vocational preparation in schools.

Regulation of entry into employment has been yet another factor restraining premature employment, although much remains to be done to achieve effective enforcement of legislation in some countries. Minimum age standards have been raised in a number of areas and the scope of protective legislation has been enlarged to include supplementary categories of employment. In Burma, the minimum age for factory employment has been raised from twelve to thirteen years, and employment underground in mines is now permissible without medical certification only at the age of eighteen years. In Ceylon, provision has been made recently for raising the minimum age for underground work to sixteen years. In Singapore, since 1950, the minimum age for employment in factories or workshops has been increased to fourteen years.

In India, the Factories Act, as amended in 1948, provides an enlarged scope of application, and, it is estimated, will now cover 3.5 million young workers instead of 2.5 million as formerly. The minimum age of entry to factory employment in enterprises covered by the Act has been raised from thirteen to fourteen years, and protective measures formerly applicable to young persons under the age of seventeen years have now been extended to young persons under the age of eighteen years. State legislation in India, in the post-war period, has also focussed attention on minimum age regulation.

In Japan too, new legislation has been passed for the improvement of labour standards for young workers. Children may engage in light work, outside school hours, at the age of twelve years, but may not undertake regular full-time employment until they have reached the age of fifteen. An exemption is made in the case of children of fourteen years who have completed their elementary education.

Most Asian governments nevertheless recognize that large sectors of the economy, offering employment to a considerable number of children and young persons, remain without effective or adequate regulation. Most important among these are agriculture, including plantations, small undertakings and street trades. The main reasons for the comparative neglect of these occupations are the shortage of inspection personnel and the difficulties of access to remote areas.

So long as standards of living and family income remain low and facilities for the regulation of children's labour remain limited, the juvenile labour force in most Asian countries may be expected to continue to recruit children below the age of international standards in many occupations. At the same time, the present tendency towards expansion of compulsory schooling, particularly if combined with greater opportunity for vocational training and more effective placement, may divert many children from entering employment at as low an age as formerly and may assist many of them to secure work that presents hope of advancement and improved earnings, thus in turn raising standards of living.

Industrial Safety and Hygiene

Since the war, legislation concerning industrial safety and hygiene has been improved in several countries of the region. In Ceylon, the Factory Ordinance of 1942 contains specific detailed provisions dealing separately with safety and health. It also provides for the appointment of a Factories Advisory Board, whose duties include the furnishing of advice on matters of safety, health and welfare, and also for the appointment of inspectors and factory doctors.

In the mainland of China, provisional health regulations for factories were issued in 1950 by the Ministry of Labour of the Central People's Government. The installation of ventilation and heating systems is specially emphasized and in certain industries, where there are harmful gases or dust, it is required that special overalls, masks, gloves or rubber boots be issued to the workers.

In Hong Kong advances in industrial safety were made despite the continued shortage of experienced staff. All lifts and hoists in factories and workshops must now conform to safety requirements.

In India, industrial safety and health legislation has been steadily developed over the past years. The principal federal law and regulations on this subject are the Factories Act, 1948, and various regulations issued under this Act. The Act empowers the provinces to make regulations on various matters related to safety and hygiene; such regulations have been issued in Bihar (Workers' Protection Act, 1948) and Bombay (Factory Rules of 1950). Rules requiring provision for canteens in factories have existed since 1949 in Bihar, in Travancore and in the United Provinces.

In Japan before the war, industrial health and safety provisions were contained mainly in the Factory and Mines Acts, but since the war these questions have been dealt with by the Labour Standards Act. Detailed regulations on labour safety and sanitation were issued on 31 October 1947 and twice amended in 1949. The Ordinance concerning Labour Standards for Women and Minors issued in 1947 includes provisions concerning the lifting of heavy loads, occupations totally prohibited to women and minors, and occupations prohibited to women unless certain conditions are satisfied by the employer. On 15 May 1949 a Mines Safety Act was promulgated providing, *inter alia,* for the setting up of central and local authorities for the supervision of safety conditions in mines and the enforcement of the relevant regulations. On 12 August 1949 a series of regulations were issued dealing separately with safety in coal mines, petroleum mines, metal and other mines and the testing of underground equipment used in mines.

In the Philippines, health and safety legislation enacted between 1932 and 1941 applies to salaried employees and workers in commercial, industrial and agricultural establishments. On 10 June 1949 an Act creating the Bureau of Industrial Safety was approved. The functions of the Bureau include the issuing of regulations, the keeping of accident records and the inspection of industrial premises and equipment. In 1950 the Bureau issued a number of orders dealing with, among other things, the inspection of machinery, industrial buildings, boilers and pressure vessels.

Pakistan continues to apply the laws and regulations on safety and health in force at the time of partition. In February 1948, the Government issued the dock labourers' regulations which embody the provisions of the International Labour Convention (No. 32) concerning the protection against accidents of workers employed in loading or unloading ships.

Industrial Relations and Labour Disputes

The new social consciousness of the post-war period has led to a rapid growth of trade unions in the region. Indeed, one of the most significant developments has been the recognition of freedom of association as a fundamental right. The exercise of this right has now been guaranteed in varying degrees in the constitutions of Burma, India, Indonesia, Korea, the Philippines, Thailand and Japan. Apart from these constitutional guarantees, the formation of trade unions in most Asian countries is encouraged by legislation. In Burma, Ceylon, the Federation of Malaya and Singapore, India, Pakistan and the Philippines, the existing trade union laws are of pre-war origin, though in many cases with subsequent amendments.

For certain Asian countries, the post-war period has been one of laying down new principles relating to trade unions. In China, the legal status of trade unions was precisely defined for the first time under the Trade Union Law promulgated by the Central People's Government on 29 June 1950. In Japan the right to organize was for the first time recognized and protected under the Trade Union Law enacted in 1945 and amended *in toto* in 1949. Sarawak and Hong Kong had Trade Unions and Trade Disputes Ordinances approved in 1947 and 1948 respectively, that of Sarawak having been since amended several times. In the Associated States of Indochina, provision was made in a decree dated 24 July 1947 for the formal recognition of the right to form occupational associations in conditions analogous to those obtaining in France.

Although figures are not available, it may be safely assumed that as a result of the continuing increase in the organization and membership of trade unions, there has been a widening application of collective agreements as a determining factor in the conditions of employment. In China, India, the Philippines and Japan, the right of trade unions to bargain collectively has been strengthened by specific provisions of law.

Table 6 gives the number of industrial disputes, the number of workers involved, the number of man-days lost in 1949 and the corresponding average figures for the three-year period from 1946 to 1948 in certain Asian countries for which such statistics are available. It will be noted that the situation in 1949, though still serious, was improved in India, Singapore and Japan as compared with that in the preceding years. In India, during the first ten months of 1950, there were 657 industrial disputes with 614,419 workers involved and 12,357,075 man-days lost; this was due mainly to the strike in the Bombay textile industry from the middle of August to the middle of October over the question of bonus for 1949.

Table 6. Industrial Disputes in Certain Asian Countries, 1949 and Average of 1946 to 1948

Country	*Number of disputes*		*Number of workers involved*		*Number of man-days lost*	
	1949	*Average of 1946 to 1948*	*1949*	*Average of 1946 to 1948*	*1949*	*Average of 1946 to 1948*
Ceylon	94	100	472,288	38,000	552,287	353,000
India	920	1,500	685,457	980,000	6,600,595	12,372,000
Pakistan	72	..	44,582	..	101,723	..
Philippines	77	..	14,796	..	210,375	..
Singapore	77	..	..	..	6,618	310,700[a]
Japan	315	490	423,847	980,000	3,852,817	6,290,000

[a] Average of 1947 and 1948.

The procedures generally observed for the settlement of disputes are voluntary conciliation and arbitration and compulsory arbitration. Since the war, there has been a marked tendency towards the broadening of conciliation facilities, either by specific provisions of law or simply by increased budgetary provisions for Labour Offices, Ministries or Departments which perform conciliation functions as part of their general activities. Voluntary arbitration has also been resorted to in Japan, the Federation of Malaya, Hong Kong, Sarawak and Singapore.

The compulsory arbitration or adjudication of industrial disputes is carried out in Burma by a Court of Industrial Arbitration established under the 1947 amendment to the Indian Trade Disputes Act, 1929; in India and in Pakistan, by industrial tribunals constituted by the Industrial Disputes Act, 1947, and other laws; in the Philippines, by a Court of Industrial Relations created by the pre-war Commonwealth Act, No. 103; and in Japan, in the case of public corporations, by an Arbitration Commission. The submission of disputes to compulsory arbitration or adjudication is generally made by reference of the competent authority, although parties to a dispute may apply to such authority for such a reference or may apply directly to the arbitration tribunal.

In India the New Industrial Disputes (Appellate Tribunal) Act of 1950 empowers the Central Government to constitute a central Appellate Tribunal to hear appeals from the awards and decisions of industrial tribunals. The Appellate Tribunal will have the responsibility of ensuring all possible co-ordination and uniformity in the principles governing the settlement of industrial disputes throughout the country.

Another notable post-war development is the introduction of machinery for collaboration between government, employers and workers. Machinery for collaboration between employers and workers in particular firms may be established either by legislation (e.g., China, India and Pakistan), or by collective agreement (e.g., Japan), or be encouraged by management as a matter of administrative policy (e.g., the Federation of Malaya). At the national level in many Asian countries, tripartite organizations have been set up with the special function of advising government on labour matters. In India and Pakistan there is, in addition, a tripartite Council of Industries which has the function generally of advising government in the formulation of industrial policy.

It is evident that since the war, rapid developments have taken place in Asian countries in the field of industrial relations. It has been increasingly realized that it is essential to organize a system of industrial relations which will provide a favourable atmosphere for the development of labour standards and in particular help to achieve the objectives of economic development programmes. The governments of Asian countries are dealing with a very fluid situation and they will find it necessary to make continuous studies for the development of legislation that will meet changing needs and circumstances.

At present, proposals for further legislative reforms are under consideration by governments in Ceylon, India and the Philippines. In Ceylon, a new ordinance for the prevention, investigation and settlement of industrial disputes is under preparation; it will provide, among other things, for conciliation, voluntary arbitration, compulsory arbitration in essential trades, and the registration of collective agreements.

In India, a new Trade Unions Bill, 1950, and a Labour Relations Bill, 1950, have been pending before Parliament for some time. While the Trade Unions Bill is largely a consolidating measure and proposes few changes, the Labour Relations Bill contains several provisions embodying new principles, particularly the encouragement of collective bargaining.

A comprehensive bill on industrial relations was introduced in the Congress of the Philippines in its regular session early in 1950. It proposes substantial reforms in the existing law on labour organizations, provides additional safeguards for the exercise of the workers' right to organize, encourages collective bargaining and regulates its procedure, and increases the facilities for conciliation of disputes.

There is no trade union law in Thailand but a bill on freedom of association has been under consideration by the Government. In Indonesia, the Government has been studying regulations which will open the way to the development of organized labour unions as well as regulations concerning collective agreements.

Social Security

Social security is receiving increasing attention in many countries of the region — Burma, Ceylon, China, India, Indochina, Indonesia, Pakistan, the Philippines and Japan — and some already have social security schemes in operation. But neither the extent nor the scope of these schemes is as comprehensive as in European countries. Furthermore, they are designed to meet the needs of urban, and especially industrial, workers, despite the fact that the Asian countries are predominantly agricultural.

Nearly all countries have adopted laws providing for workmen's compensation payable by employers. The Indian Workmen's Compensation Act, 1923, which was based on the British enactment on the subject, itself became the model for similar laws in several Asian countries. As regards social insurance, considerable developments have taken place in India and Japan. The risks generally covered are employment injury, maternity and sickness; in some cases unemployment and old age are also included.

Burma. The Indian Workmen's Compensation Act, 1923, amended up to 1 April 1937, still applies in Burma (see section below on India), but further amendments are under consideration.

Ceylon.[51] The Workmen's Compensation Ordinance of 1934 is modelled closely on India's Workmen's Compensation Act (see also section below on India). There is no legislation on social insurance, but the introduction of such legislation is under consideration.[52] The State affords various forms of assistance through the local revenue offices, while medical and other services are provided by the Department of Medical and Sanitary Services or the Education Department. In addition, relief for needy persons unable to maintain themselves as a result of physical or mental incapacity is provided in the municipalities of Colombo, Kandy and Galle under the Poor Ordinance, 1939.

China. Under the Labour Insurance Regulations issued by the Central People's Government, which came into force on 1 March 1951, employers (State or private or co-operatives) are liable for the insurance of their workers in enterprises with more than 100 employees.

These Regulations provide for payment by the employer of medical expenses for occupational or non-occupational injuries or diseases of manual and non-manual workers. In the case of occupational injuries or diseases, the employer pays full wages during treatment, while in the case of non-occupational injuries or diseases, he is liable for between 50 and 100 per cent of wages for three months. For the next three months the labour insurance fund pays sickness benefits of between 30 and 50 per cent of wages. After six months, disability pensions may be drawn. All women workers are entitled to 56 days' paid maternity leave granted by the employer and to layettes from the labour insurance fund.

The labour insurance fund pays disability pensions of between 60 and 75 per cent of wages in the case of full occupational disability and from 5 to 20 per cent for partial occupational disability; from 20 to 30 per cent of wages is paid for full non-occupational disability.

Funeral expenses for a death attributable to a worker's occupation are borne by the employer, and pensions of between 25 and 50 per cent of wages are paid from the labour insurance fund to dependants until they become independent. In other cases the labour insurance fund subsidizes funeral expenses to the extent of one month's average wage, while dependants are entitled to a lump sum of up to twelve months' wages.

Retirement pensions of from 35 to 60 per cent of wages are paid from the labour insurance fund to retired male workers over sixty years of age if they have worked for twenty-five years (ten in the enterprise from which they retire). For retired women workers the qualifying periods are twenty years and ten years respectively. Old-age benefits of from 10 to 20 per cent of wages are paid to workers continuing to work after retirement age. The age qualification is reduced to fifty-five years for men and forty-five for women in dangerous or unhealthy occupations.

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[51] "Labour Conditions in Ceylon", *International Labour Review*, Vol. LXI, No. 1, January 1950, pp. 15-17.

[52] *Administrative Report of the Director of Social Services in Ceylon for 1948*, p. 5, and *Report of the Commission of Social Services*, Sessional paper VII, 1943, p. 55.

A monthly contribution equivalent to three per cent of their total payroll is paid by employers to the labour insurance fund; the workers do not contribute. Thirty per cent of this amount will go to the central fund and 70 per cent will be used by the trade union committees to cover pensions and benefits.

In *Taiwan,* under the Labour Insurance Regulations of 1 March 1950 issued by the National Government, social insurance is compulsory for workers in public and private factories, mines, salt fields, public communications and public utilities. The scheme is financed by a joint contribution of three per cent of wages in cash and in kind. In case of employment injury, a benefit equivalent to two-thirds of the wage is payable during six months, and to one-half of the wage for a maximum further period of one year. The benefits are paid for specified occupational diseases. In case of permanent incapacity, a maximum of twenty-four months' wages is payable in addition. A sum of thirty-six months' wages is payable in case of death. The insurance scheme also covers sickness, maternity, old age and death. Sickness benefit at half the monthly wage is payable from the fourth day of sickness, for a period of six months, or nine months if contributions have been paid for over one year. A lump-sum payment of two months' wages is provided at childbirth. Burial benefit amounts to three times the monthly benefit on death of the insured and one month's pay on the death of his parents. Survivors' benefit is payable to dependent widow, father, mother, son or daughter, its rate varying with the wage of the deceased and his contribution period. An old-age pension equivalent to fifteen times the last monthly wage is payable to the insured person at sixty if he has paid contributions for at least fifteen years. The scheme is supervised by the Department of Social Affairs and its daily administration is under the control of the Board of Supervisors of Labour Insurance.

India. The Workmen's Compensation Act, 1923, as subsequently amended, which governs accident compensation in India, applies to factory and plantation workers, railway servants and certain other specified categories of workers (excluding those employed in administrative or clerical capacities and those whose monthly wages exceed 400 rupees). The employer is liable for compensation if incapacity exceeds seven days and the injury (not being fatal) was not caused by the fault of the worker. When the incapacity is temporary, benefit at the rate of half wages (approximately) is payable. A lump-sum payment, varying with the wages of the worker concerned, is granted for total disablement and death; for partial disablement a fixed percentage of the amount payable for total disablement. Compensation is also payable for specified occupational diseases.

Workmen's compensation is administered on a State basis by the Commissioners, who are responsible also for the settlement of claims and for the disposal of compensation in case of fatal injury.

The above scheme will be replaced gradually by that established by the Employees' State Insurance Act, 1948, which, instead of lump-sum payments, provides disablement and dependant's benefit at weekly rates varying with the wages of the workmen. The full rate is half the average daily wage. A proportionate benefit is payable for permanent partial incapacity.

The Employees' State Insurance Act, 1948, provides not only employment injury benefits but also medical care, sickness and maternity benefits. It applies to workers in perennial factories in the areas in which it is successively enforced. It is financed by contributions from the workers and employers and by a State subsidy and is administered by the Employees' State Insurance Corporation. Sickness benefit is paid, after a waiting period of two days, at a rate equal to about half the average daily wage for not more than 56 days during a continuous period of 365 days. Maternity benefit is paid to insured women ,at a rate of 12 annas a day for a total of twelve weeks, not more than six of which may precede confinement.

The Coal Mines Provident Fund Scheme, framed by the Central Government under the Coal Mines Provident Fund and Bonus Scheme Act, 1948, applies to all coal miners in the provinces of West Bengal, Bihar, Madhya, Pradesh and Orissa. Membership is compulsory for all employees earning less than 300 rupees a month, employee and employer paying equal contributions fixed by a schedule of wage classes.

A bill for a unified scheme of health and employment injury insurance for industrial workers has already been introduced in the Indian Parliament.

Indochina. Various workmen's compensation schemes are in operation. Contract or plantation workers are entitled (Orders of 25 October 1927, as subsequently amended) to payment of wages without interruption in case of employment injury, to free medical attendance and to free food supply for dependants under fifteen.

Under the régime of non-contract labour, the employer in industry, commerce and agriculture bears medical, hospital and pharmaceutical expenses including burial expenses. If incapacity lasts more than four days, compensation consists of a daily payment of half the workers' wage for temporary incapacity, or a lump sum not exceeding one year's wages in case of death or permanent incapacity.

Different provisions exist for European labour, especially in case of disablement, where the pension is fixed at two-thirds of annual wages for total disablement, at one-half for partial disablement and at a specified percentage of wages in case of death.

Workers who have been employed for a specified number of years are to be entitled to pensions of not less than the minimum cost of living.[53] Private undertakings have set up provident funds. A social security fund is to be established from which workers' pensions and maternity benefits will be paid. An Order of 26 September 1947 introduced a scheme of family allowances for all categories of employees, to be paid out of an equilization fund; this fund is already in operation for certain categories of workers.

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[53] Decree dated 24 July 1947. Regulations giving effect to the decree are to be issued.

Indonesia. Benefits under Ordinance No. 255 of 1939, 256 and 292 of 1939 and 693 and 722 of 1943 include first aid, free medical treatment, transportation and nursing care for one year after an accident, funeral expenses and death benefits and a cash payment up to 80 per cent of the daily wage during one month and 50 per cent thereafter. A pension equal to 50 per cent of wages is paid in case of permanent total disablement, and at rates varying from 7.5 to 37.5 per cent of the daily wage, according to the extent of injury, in case of permanent partial disablement.

Malaya and Singapore. Workmen's compensation is governed by the Workmen's Compensation Enactment, 1929, as amended up to 1947, in certain States and by the Singapore Workmen's Compensation Ordinance, 1932, as subsequently amended, in others.

Employees in certain specified occupations, where wages do not exceed M$400 per month, excluding casual workers and government servants, are entitled, in case of temporary incapacity, to compensation amounting to one-quarter of monthly wages or M$20 (whichever is less) payable every half-month over a maximum period of five years.

A lump sum equal, for adults, to forty-two months' wages or M$4,800 (whichever is less) is payable in case of total incapacity and proportionately less if incapacity is partial. A lump sum equal to thirty months' wages or M$3,200 (whichever is less) is granted in case of death. Compensation is also provided in case of certain specified occupational diseases.

Pakistan. The Indian Workmen's Compensation Act, 1923, and the Indian Employers' Liability Act, 1938, continue to be in force in Pakistan. The Employees' State Insurance Bill, which originated before partition in the Indian Legislative Assembly, is under consideration by the Government.

Philippines. The Employers' Liability Act, 1908, and the Workmen's Compensation Act, 1927, govern payment of accident compensation. Liability under the former is conditional upon negligence by the employer, in respect of which compensation up to 2,500 pesos may be awarded by the Court, which may also make an allowance for food and medical attendance pending the action. The Workmen's Compensation Act provides for medical benefit and compensation for total or partial disability and death. Medical, surgical or hospital services are at the expense of the employer, and compensation is payable weekly in proportion to the employees' average weekly wages or in a lump sum. Claims and disagreements are referred to the Bureau of Labour or directly to the Court.

Japan. Compensation in case of employment injury is payable by employers to all workers covered by the Labour Standard Law, 1947.

The Workmen's Compensation Insurance Act No. 50 of 1947 applies to workers in hazardous establishments and other establishments employing five or more employees. The benefits include free medical treatment and pharmaceutical supplies and an allowance equal to 60 per cent of the average wage for each day over seven days of temporary incapacity, compensation for injury, and compensation of 1,200 times the average daily wage for permanent incapacity. In case of death, survivors' benefit of 1,000 times the daily wage and funeral benefit of 60 days' wages are paid.

Under the Health Insurance Law, 1922, as subsequently amended, benefits are paid in case of maternity, sickness, injury and death to persons working for undertakings which employ more than five workers in manufacture, mining, transport, loading and unloading of freight, etc. Benefits include medical benefits, medical examinations and treatment, hospitalization, nursing and transportation, and cash benefits which amount to 60 per cent of the basic daily remuneration from the fourth day, or to 40 per cent if the beneficiary is without dependants or is accommodated in a clinic or hospital. Funeral benefits equal to the monthly basic remuneration are payable to dependants on the death of the insured person.

The National Health Insurance Act, 1938,[54] as subsequently amended, established a voluntary insurance scheme administered by local or village associations, which now number about 6,500. Under the local option principle any community may hold an election to determine whether or not it wishes to establish a health insurance association. If the majority votes for such an association it becomes compulsory for all residents. Contributions are fixed locally. All associations provide the insured with partial refund of the cost of medical care and dental treatment, and some associations provide maternity care and funeral benefits.

Under the Unemployment Insurance Law, 1947, as amended up to 1949, persons working in an insured employment for at least eleven days during six of the twelve months preceding the claim are entitled, after a waiting period of one week, to an unemployment allowance of 60 per cent of the daily wage, subject to a maximum of 300 yen, for a maximum period of 180 days. The Pension Insurance Act, 1941, as subsequently amended, provides for the payment of old-age pension, invalidity pension and allowance, survivors' pension and retirement pension to the insured person.

Enforcement of Labour Legislation

The administration and enforcement of labour legislation suffers in Asian countries from a number of difficulties intimately related to general social and economic conditions in the region. In recognition of the importance of ensuring the effective application of protective labour legislation, more particularly by means of labour inspection services adequately equipped and staffed, the question of labour inspection was considered by a preparatory conference held at Kandy, Ceylon, in November 1948 and subsequently by the Asian Regional Conference of the International Labour Organisation held at Nuwara Eliya, Ceylon, in January 1950.

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[54] See ILO, *Industry and Labour,* Vol. 1, No. 10, 15 May 1948, pp. 408-410.

In the resolution concerning labour inspection adopted by the latter Conference, the attention of the Asian governments is called to a number of problems which create difficulties for effective labour enforcement, and various measures to improve the situation are put forward. Governments are recommended to accord to the labour inspectorates a status among the social services of the State commensurate with their responsibilities, to ensure that their numerical strength and the facilities at their disposal are adequate to the tasks they have to perform, and to make appropriate provision in the organization of labour departments for the collection of basic labour statistics. Reference is made to the need for ensuring that employers and workers, and the public in general, are fully informed of problems arising from working conditions, and of remedial measures taken or needed, and that employers and workers in particular are advised of effective means of complying with existing labour legislation. It is recommended that such education and propaganda activities should be carried out through the medium of the vernacular of the country and through literature designed to educate the worker and make him acquainted with national laws and regulations. The establishment of research centres for the study of industrial problems and of joint bodies of employers and workers to co-operate in the task of determining and implementing labour standards is also recommended. The resolution further emphasizes the need for ensuring that labour inspection services are staffed with officials fully competent to carry out the duties of the service. It urges that appropriate steps be taken to secure the training of new inspectors upon their admission to the service and to keep labour inspectors fully informed of latest developments in respect of industrial problems of health, safety and welfare.

With a view to enabling countries in an early stage of economic development to give effect to these recommendations, the resolution suggests that the possibilities of international or regional arrangements in these matters be fully explored. More specifically, reference is made to the possibility of making arrangements whereby officials of less-developed inspection services would be sent for training to other countries with more adequate training courses and facilities, either in the region or elsewhere; the establishment of one or more regional centres for the training of labour inspectors; and the introduction of technical missions from abroad to assist Asian countries in the organization of their inspection services.

The most notable developments during 1950 along these lines have taken place in India, which is the only Asian country thus far to have ratified the International Convention on Labour Inspection adopted in 1947. On the national scale, model rules have been elaborated, in collaboration between the central Government and provincial authorities, for the guidance o labour inspectors and certifying surgeons in the provincial services in the performance of their duties. Internationally, arrangements have been instituted between the Governments of India and the United Kingdom whereby Indian labour officials are to receive training in the United Kingdom in various branches of labour administration, including factory inspection, labour welfare, industrial relations and wage fixing. The training courses, of six months' duration, are designed to cover both elementary theoretical training and specialized instruction in the particular branch of work in which a trainee will be engaged on his return to India.

THE LABOUR MOVEMENT

The year 1950 brought, in several countries, a realignment of trade union forces and a consolidation of their national structures and policies. The constitution of the International Confederation of Free Trade Unions (ICFTU) in December 1949 made itself strongly felt throughout the region. As reported in the last *Survey*, the World Federation of Trade Unions (WFTU) had established a liaison office in Peking, by decision of its Asian and Australasian trade union conference in November 1949. On the other hand, some of the non-communist centres had formally inaugurated the Asian Federation of Labour at a conference at Nuwara Eliya, Ceylon, from 17 to 19 January 1950. A further impetus to the area-wide consolidation of non-communist trade unions resulted from the visit of an ICFTU delegation in July-August 1950 to South East Asia and the Far East and from subsequent decisions by the ICFTU. These included the opening of an information and advisory centre for the area in Singapore; the convocation of an Asian regional conference at Karachi from 28 to 31 May 1951 to establish regional ICFTU machinery; plans for the opening of colleges for training trade union leaders; and an investigation of "restrictive legislation hampering the healthy growth of free trade unionism in Asia".

The following survey by country brings up to date and expands the information presented in the last *Survey:*

British Borneo Territories. No trade unions exist in North Borneo and Brunei, but in Sarawak a few have been established since 1948.

Burma. The Trade Union Congress (Burma) (abbreviated as TUC (B)) claimed 260,000 members in September 1950. It was formed in 1945 under the auspices of the Socialist Party, itself one of the main elements in the Government coalition bloc, the Anti-Fascist People's Freedom League (AFPFL). At the same time the Communist Party organized the All Burma Trade Union Congress, but in 1948 this organization was outlawed. In September 1950 the AFPFL expelled the president and vice-president of the TUC(B) and disaffiliated the Congress until it replaced them. The TUC(B) reaffiliated to the AFPFL in October 1950. A new political party known as the Burma Workers' and Peasants' Party was formed, and on 12 February 1951 a split took place in the TUC (B) with the formation of the Burma Trades Union Congress. There are important independent trade unions, and the ICFTU delegation reported that its visit stimulated moves among these unions towards unification.

Ceylon. No considerable changes occurred in Ceylon, where there are four major trade union centres: the Ceylon Workers' Congress (until 1950, Ceylon Indian Congress Labour Union), claiming some 100,000 members; the All Ceylon Trades Union Congress, which is affiliated to the ICFTU and by December 1949 claimed 50,000 members; the Ceylon Trade Union Federation, which is affiliated to the WFTU and is officially credited with some 15,000 members, and finally the Ceylon Federation of Labour, which is officially credited with some 14,000 members. There is also the All Ceylon Peasants' Congress, but no membership figure is available for it.

China. The All China Federation of Labour (affiliated to the WFTU) was in February 1951 reported to have 5,130,000 members, organized in a broad network of industrial and regional unions. This represents an increase of more than 1,500,000 over the membership claimed in July 1949. The Chinese Federation of Labour reported some 470,000 members to the constituent congress of the ICFTU, to which it is affiliated.

Hong Kong. In Hong Kong, 186 workers' unions totalling 146,761 members were registered at the end of 1949, and 17 more were registered during 1950. There are two rival trade union federations: the Hong Kong and Kowloon Federation of Workers' Associations, which is reported to have some 50,000 members in 45 unions, and the Hong Kong and Kowloon Trade Union Council (affiliated to the ICFTU), which was established in 1948 and in 1950 claimed 110,000 members in some 100 associations and clubs. Disagreement within unions on questions of Chinese politics has recently led to the formation of independent unions.

India. The four all-India federations referred to in the last *Survey* continued to function as separate entities. At the end of 1950 the Indian National Trade Union Congress (affiliated to the ICFTU) claimed 1,514,082 members in 1,235 unions, the All India Trade Union Congress (affiliated to the WFTU) 706,194 members in 729 unions, the Hind Mazdoor Sabha (affiliated to the ICFTU) 686,650 members in 468 unions, and the United Trades Union Congress (independent) 372,631 members in 313 unions. The membership verified by the Labour Ministry during 1950 from returns for 1949 showed 918,237, 302,538, 370,304 and 120,623 members, respectively. Transport (including seamen and dockers) and textiles together were responsible for well over 50 per cent of the total membership, while agriculture, with only slightly over 5,000 members, was at the lowest rung.

Indochina. Only Viet-Nam has a sizable trade union movement. The trade unions in the areas controlled by the Government are for the most part affiliated to one of the major trade union centres in France. Those affiliated with the "free" trade union centre (CGT-FO) and the Christian centre (CFTC) enjoy official recognition. The CGT-FO has some 4,800 members, including some 1,000 Indochinese. The Christian trade unions fall into two groups. Those affiliated with the CFTC comprise some 4,000 Indochinese and 1,600 French civil servants and non-manual workers in private undertakings. The other group is directly affiliated with the International Federation of Christian Trade Unions. This *Fédération des Salariés du Secteur privé* claimed in August 1950 some 3,000 Vietnamese, Chinese and Indian members in commerce, industry, agriculture and the liberal professions. Official recognition has been withheld from the small CGT group. There are numerous Chinese guilds and mutual protection associations, some of which have assumed trade union characteristics. In the Viet-Minh areas the General Confederation of Labour continues in affiliation with the WFTU; it reported 258,000 members in July 1949.

Indonesia. Before the war, fairly effective trade unions existed for European workers, both in public and civil services and in private undertakings, and for Indonesian civil servants and public employees, but not for the Indonesian workers in private undertakings. Unofficial estimates placed total trade union membership in 1941 at 123,500, as against 13,282 in 1924. Since then the situation has changed drastically. A unified trade union centre (*Sentral Organisasi Buruh Seluruh Indonesia,* or SOBSI) was formed in November 1946 and affiliated with the WFTU. In May 1947 it claimed 1,500,000 members in twenty-eight unions, the largest of which were those of plantation workers (SARBUPRI), dockers, railway workers and oil workers. In 1948, largely as a result of the Madiun revolt, the SOBSI was split into three organizations: SOBSI, IKOS and POB. The latter two later formed the GSBI (Federation of Indonesian Trade Unions), which is mainly composed of civil servants and public employees. Another group also left the SOBSI in 1948 and formed the GASBRI (Union of Revolutionary Indonesian Workers' Unions). In 1949 a League (HISSBI) comprising the SOBSI, the GASBRI and the GSBI was formed in Jogjakarta to prepare the creation of a single trade union centre. This venture, however, proved abortive. Another move for unity was undertaken by an organization known as PSOBSI, set up in Bandung in August 1949. The PSOBSI has since become defunct, but from it has sprung the *Badan Pusat Serikat-Serikat Sekerdja* (BPSS — Central Body of Workers' Organizations), which groups mainly government workers in West Java, including a number of Europeans who intend to stay and acquire Indonesian nationality. It is interesting to note in this connexion that there has been for some time a *Concentratie van Blijvers-Vakverenigingen,* i.e. a bloc of trade unions of "stayers".

One of the most effective trade unions is reported to be the *Perkumpulan Organisasi Buruh* (POB — Central Organization of Labourers). This organization, originally Chinese, now has a majority of native workers among its 13,000 members in some forty branches.

Reference should be made to the *Samenwerkende Indische Werknemers-organisaties* (SIWO) — a federation of unions of European workers in private undertakings, with some 3,000 members — and the Samenwerkende Vakorganisaties *Nederlands personeel in Indonesie,* which groups unions of European employees in civil and public services and has some 9,000 members. The two form a confederation, which is associated with the Council of National Trade Union Centres in the Netherlands.

There are hundreds of local and regional organizations, both in Java and in the outlying provinces, which have not so far affiliated to any of the major existing trade union centres. Contacts were reported in February 1951 between the BPSS, the GSBI, the POB and a federation in Medan, Sumatra, for the formation of a national centre which would unify the non-communist trade union forces in Indonesia.

Korea. A National Confederation of Trade Unions (*Chonpyung*) for all Korea was set up in 1945 but did not survive. In North Korea, a new Federation was established in May 1946. It was affiliated to the WFTU and in July 1949 claimed 467,000 members. In South Korea, a section of the former *Chonpyung* regrouped itself in the Federation of Trade Unions of South Korea. It soon became semi-underground. Like the North Korean federation, it was affiliated to the WFTU; its membership in July 1949 was claimed to be 252,000. A rival organization had meanwhile been set up under government sponsorship. It took the name of Federation of Korean Trade Unions (*Taihan Nochong*). From its inception there were two opposing factions in the Federation. When there was a change in the top leadership at the Federation's first congress (March 1949), the Government acted to place the direction of union affairs in the hands of a ten-man "Supreme Committee". The Federation is affiliated with the ICFTU and in December 1949 reported 800,000 members.

The two WFTU groups reported on 20 January 1951 that they had reunited at a conference held in Pyongyang.

Federation of Malaya. In 1948 the Pan-Malayan Federation of Trade Unions, an affiliate of the WFTU, was outlawed. In December 1948 there were 162 registered unions with a total membership of 70,037. By May 1949, though there were 160 unions, membership had dropped to 40,434. A Malayan Trade Union Council was set up in March 1950 and has affiliated with the ICFTU.

Singapore. Two different ventures were undertaken in 1949 and early in 1950 to create a central trade union body, but so far it has not proved possible to bring about the unification of the almost 100 independent unions. Total membership at the end of 1949 was 47,301. A few interim committees continue to work for unification.

Pakistan. In September 1950 the first congress of the All-Pakistan Confederation of Labour (APCOL) was held at Karachi. It unified practically all the non-communist trade union forces in the country. The move towards unity began in the early part of 1949, when the two federations in the eastern part of the country, i.e., the Eastern Pakistan Trade Union

Federation and the Trade Union Federation, Pakistan, combined to form the All-Pakistan Trade Union Federation. This amalgamation was followed in December 1949 by the merger of this Federation and the Pakistan Federation of Labour, which had its headquarters in West Pakistan. The APCOL, at its first congress, claimed 320,000 members in 160 unions, as against 234,000 members in 140 unions in December 1949. Its main strength is among dock, railway, inland waterway and agricultural workers. It has affiliated with the ICFTU.

The Pakistan Trade Union Federation, which is reported to have its main strength in the Punjab, is affiliated with the WFTU. At its second annual conference, held in April 1950 at Lahore, it claimed 70,000 members in fifty-one unions.

Philippines. The ICFTU delegation which visited the Philippines in August 1950 reported that the trade union situation was extremely chaotic. It was in direct touch with ten "national centres", representing a claimed total membership of 200,000-250,000 workers. Several other centres are known to exist, including the Congress of Labour Organizations (CLO), which is affiliated to the WFTU and in July 1949 claimed 60,000 members. An attempt to offset some co-ordination of trade union forces in the Islands was made in 1948 with the formation of a loosely-knit National Confederation of Trade Unions (NACTU), from which the workers' delegates to the 1948 and 1949 annual sessions of the International Labour Conference were chosen. Other centres of some importance are the Consolidated Labour Union and the *Federación Obrera de Filipinas,* claiming 15,000 and 45,000 members respectively.

Thailand. The Thai Labour Union, claiming a membership of 50,000 (80 per cent agricultural), was recently granted admission to the ICFTU, after the latter's delegation had inquired into its alleged government-controlled character and several changes had been made in the organization of the Union, particularly with respect to its officers. The WFTU claims as an affiliate the General (or Central) Thai Labour Union.

Japan. There has been a spectacular growth of the trade union movement in Japan since the promulgation of the Trade Union Law in December 1945. From 490,000 in 575 unions in January 1946, trade union membership leaped to a peak of 6,700,000 in 36,200 unions in May 1949. Owing to a revision of the Trade Union Law which excludes supervisory and managerial staff from trade union membership, to personnel retrenchment, and to a declining interest in trade unions, especially among workers in small undertakings, there was a decrease to some 6,250,000 in 32,634 unions by the beginning of 1950.

The year 1950 brought a complete realignment of the trade unions. It should be recalled that in August 1946 two national federations of trade unions had been established: the Japanese Federation of Trade Unions (*Sodomei*) and the National Congress of Industrial Unions (*Sanbetsu*).

The first was created by leaders of the pre-war All Japan Federation of Labour, of moderate tendency, which in 1939 had given way to the totalitarian Patriotic Industrial Association (*Sampo*), dissolved in September 1945. It reached a peak of 1,200,000 members in 1948. The *Sanbetsu* was more left-wing and soon reached a peak of 1,250,000 members in nineteen national industrial unions. A Liaison Council of All Trade Unions in Japan (*Zenroren*), comprising the two national federations of trade unions and a number of major industrial unions directly affiliated, was formed in March 1947 and affiliated with the WFTU. But already in June 1947 the *Sodomei* withdrew as a result of the *Zenroren's* increasingly extremist policies, while in February 1948 a "Democratization League" was launched by moderate leaders within the *Sanbetsu*. This League, in 1949, reshaped itself as the National Federation of Industrial Organizations, better known as *Shin* (or New) *Sanbetsu*. Finally, a Japanese Federation of Labour Unions (*Zennichiro*) was set up in July 1949.

It is estimated that by the end of 1949 more than 4,000,000 workers, i.e., two-thirds of the organized labour force in Japan, were outside the *Zenroren*. Throughout most of 1949 the non-communist forces tried, by means of working committees and a new Joint Council (*Zenro-Kaigi*), to effect a united front. At the constituent congress of the ICFTU (December 1949) delegates of the Council represented 3,050,000 members; they acted at the same time as observers for unions with 1,050,000 members. After a preliminary conference in March 1950, a new General Council of Trade Unions of Japan (*Sohyo*) was born at a congress held in Tokyo on 11-12 July 1950. It comprised at the time 3,693,891 members. The *Sodomei* and the *Zennichiro* participate in the *Sohyo* and have decided to dissolve as soon as certain structural adjustments have been effected. Later in the year the *Shin Sanbetsu* and a number of major industrial unions also joined the new Council.

In April 1950 the *Sanbetsu* decided to dissolve itself to enable the *Zenroren* to be converted into a national trade union federation. But on 30 August 1950 the headquarters of *Zenroren*, whose membership was then variously estimated at between 500,000 and 1,000,000, were dissolved under the Organizations Central Ordinance. Its industrial unions were not directly affected by this measure, except that a number of their leaders were declared ineligible for positions of public importance.

CHAPTER IV[1]

National Income

The usefulness of national income analysis and related statistical studies is now recognized in nearly all under-developed countries. Plans for economic development may be studied from the point of view of their technical aspects, but at the same time it is necessary to be informed of the likely over-all economic effects of investments of given magnitudes, and of whether the plans and the private investment which may be expected are consistent with the total available resources. Only a combination of economic studies of these problems and analysis of national income and capital formation can help to produce the answer to such questions and thus assist in the framing of a national development policy.

It is also recognized that the reduction of inflationary pressures is one of the paramount economic problems in many under-developed countries, both for the implementation of development plans and for raising the general standards of productivity. It may be assumed that an anti-inflationary policy would have to include fiscal measures. To devise a proper fiscal policy, again a knowledge of income aggregates and the composition of such totals by income groups, sectors, types of final expenditures, etc. is indispensable. A knowledge of the incidence of particular types of taxes on consumption, saving and investment is also required. In all these respects the national income approach promises, if not to give answers, at least to shed light on important practical questions.

NATURE AND SURVEY OF THE ESTIMATES[2]

The available national income estimates for countries in Asia and the Far East are not yet sufficiently refined and accurate to be suitable for the purposes indicated. The compilation of a set of detailed national income statistics presupposes the existence of a well-developed system of economic and financial statistics from which the estimates must be derived.

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[1] Prepared by the National Accounts Branch of the Statistical Office of the United Nations.

[2] The question has legitimately been asked whether or not in the under-developed countries some special techniques may have to be devised, particularly through the use of sampling methods, to obtain the basic information required for compiling estimates of national income. At its third session held at Geneva from 12 to 23 September 1949,

However, most under-developed countries do not yet possess such highly developed statistical systems. The building up of statistical services takes time and is to some extent dependent upon the degree of economic development attained, standards of government administration, and the general educational level of the population.

The national income estimates which so far have been prepared for a number of under-developed countries must be regarded as tentative and as having a relatively wide margin of error which cannot easily be assessed. Yet the attempts to prepare such estimates may be considered as useful, not only because the experience obtained is useful, but also because the incompleteness in the material offers a programme for future research. Thus, under appropriate circumstances, a system of national income tables may well serve as a framework for developing an integrated system of economic and financial statistics.

The statistical problems that are encountered in the compilation of national income estimates for the underdeveloped countries are serious. In part they are of a conceptual nature. It is difficult to measure the output and consumption in the non-monetary sphere of the economy, which often constitutes a large percentage of the total national income, and it is often not easy to indicate exactly the activities which should be included. For the rural areas of the under-developed countries it is often extremely difficult to indicate the borderline between the agricultural and industrial activities which ought to be included, and the activities which must be regarded as housekeeping and which therefore are generally excluded from the national-income concept as used in more developed countries. The problem of the valuation of the income in kind is also difficult to solve since price data on which to base this valuation may not exist. Sometimes, where the prices exist, it may be found that price differentials between the interior and the markets in the ports are considerable. The question then arises what value may be attached to national income figures obtained by adding together income estimates for areas with very different price structures. Furthermore, the existence of a native subsistence economy side by

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the Sub-Commission on Statistical Sampling of the Statistical Commission of the United Nations gave consideration to the application of sampling methods for obtaining the basic data required for the construction of a social accounting system and the measurement of national income (E/CN.3/83; E/CN.3/Sub.1/20, 24 October 1949). The observations and suggestions of the Sub-Commission in this field may be applicable in particular to the under-developed countries.

The application of the social accounting technique to the economies of under-developed countries may prove to be very valuable. It permits the system of transactions in the national economy to be described in a consistent way and the logical relationships between the various income totals to be seen clearly. Social accounting is particularly useful in that it may help to reveal the transactions of certain sectors of the economy with other sectors. It is necessary to understand the nature of such transactions before it can be decided how they should be incorporated in the national income computations.

Attempts to compile a system of social accounts using data obtained by means of sample surveys are now being made in India. For Indonesia a system of social accounts has been constructed for a pre-war year on the basis of figures and estimates derived from available economic and financial statistics.

side with a modern western enterprise sector with entirely different wage and price levels may make it difficult to attach meaning to a total obtained by summing up figures for the two sectors separately.

Since the publication of the *Economic Survey of Asia and the Far East, 1947,* which contained a chapter on national income, the number of countries for which national income estimates are available has further increased and in most of the countries for which national income estimates were available three years ago, the studies have been extended and expanded. Table 7 summarizes the available estimates since the 1930's. The footnotes to this table indicate the sources.

Although the area of agreement among the national income estimates for various countries is gradually becoming greater, the figures available for the countries of Asia and the Far East are not all based on the same concepts. For China, Taiwan, India, Indonesia, Thailand and Japan, the figures show national income at factor cost (or net national product at factor cost). For Burma and the Philippines the figures show national income at market price whereas estimates of gross national product have been prepared for Ceylon, China, Japan, the Philippines and Thailand. The definitions used are not strictly the same since they differ from country to country with respect to the inclusion or exclusion of certain items, usually of minor importance only. The footnotes to the table indicate the major differences of this kind.

Burma: The Ministry of National Planning in the Government of Burma has recently started the preparation of estimates of national income covering the years 1938/39, 1939/40, and 1946/47. The work is now being continued, and the estimate for 1947/48 is being released.

Ceylon: The official estimates for Ceylon show a concept that is sometimes called gross taxable income, that is, gross national income before deducting income payable abroad but including all income received from abroad. The figures shown in table 7 have been adjusted by deducting net income payable abroad. Figures shown for 1938 result from an older study which is not quite comparable to the later official figures for 1944-48.

China: The sources used for national income estimates for the mainland of China are the same as were available three years ago. No new estimates have been published since that date. It may be pointed out that the figures on gross national product are taken from a private source and that they are not comparable to the figures on national income at factor cost.

For the first time this chapter includes a series of estimates for Taiwan up to 1944. Results of research on national income now being carried out in Taiwan have not yet been made available.

India: The figures shown in the table are the preliminary official estimates published by the Economic Adviser to the Government of India. They refer to India after partition, excluding the areas formerly known as the Indian States. The figure for 1931/32, which refers to British India including

Burma but excluding the Indian States, is taken from V. K. R. V. Rao, *National Income of British India, 1931/32.* It is not entirely comparable to the figures for later years. There also exist several private studies on the national income of India which have not been shown in this table, including a study by R. C. Desai, "Consumer Expenditure in India, 1931/32 to 1940/41", *Journal of the Royal Statistical Society,* Series A (General), Vol. CXI, Part IV, 1948, pp. 261-308.

The first report of the National Income Committee of the Government of India has estimated the national income for the whole of India, in 1948/49, at Rs. 87,100 million. Considering the differences in the territories and population covered by the estimate of the Economic Adviser to the Government of India and by that of the National Income Committee, it would appear that the two figures are in good agreement.

Indonesia: The results of a study by Dr. J. J. Polak, "The National Income of the Netherlands Indies, 1921-1939", mimeographed in 1943 in New York, have been available in summary form in the article published by the Netherlands Central Bureau of Statistics in 1947. Later the same office published a set of social accounts for Indonesia for the year 1938. Although the national income figures for 1938 are substantially the same, there is a minor difference in the underlying concepts. Whereas the national income concept used in Dr. Polak's study excludes interest payable abroad but includes profits of Dutch and other foreign corporations operating in Indonesia, these profits have been deducted from the total shown in the second study in accordance with generally adopted standards.

Malaya: Estimates for the Federation of Malaya and Singapore are being prepared. Results have not yet been made public.[3]

Pakistan: Estimates of the national income of this country have not yet been made available. However, in the study for 1945/46 published by the Economic Adviser to the Government of India two sets of figures are given, the first referring to British India before partition, and the secon to the Union Provinces. By computing the difference between the two sets the national income of the area of Pakistan, excluding the Indian states incorporated into that country, is obtained. This is the figure used in this chapter.

Philippines: The figures shown for the Philippines are official estimate prepared by the Central Bank of the Philippines and cover the years 193 and 1946-1950.

Thailand: A series of preliminary estimates has recently been mad available by the Government in a mimeographed memorandum. It took it origin in preliminary work undertaken by an Economic Mission of th International Bank for Reconstruction and Development to this country

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[3] Rough estimates for Malaya are given in the Colombo Plan. See *The Colombo Pla for Co-operative Economic Development in South and Southeast Asia.* Report by th Commonwealth Consultative Committee, London, October 1950.

Japan: The Finance Bureau of the Economic Stabilization Board at Tokyo has prepared sets of national income tables up to the fiscal year 1949/50. They have been made available in mimeographed memoranda. For the last few years there exists another set of figures referring to calendar years.

For summaries in English of the available estimates for Ceylon, India, Indonesia and Japan, reference is made to *National Income Statistics of Various Countries, 1938-1948,* published by the Statistical Office of the United Nations in May 1950. The tables in appendix I to this volume summarize available figures going back to an earlier period.

Table 8 shows both national and *per capita* income of nine countries. The figures relate to the year 1949, and are expressed in United States dollars of 1949 purchasing power. These estimates are, of course, of a rather crude nature. The *per capita* income figures, for example, are subject to the errors inherent in the estimates of national income in domestic currencies, the errors introduced by conversion into dollars, and errors in the population figures. However, the figures shown are probably the best available in the circumstances. In the case of all the countries included in the table, the figures are based on official or semi-official figures for 1949 or on extrapolations of older estimates.[4]

The *per capita* figures shown in the final column vary from 30 dollars or less for China and Indonesia to 100 dollars for Japan. Burma and Thailand are shown with *per capita* incomes around 35 dollars, and the Philippines with about 45 dollars *per capita.* Pakistan is shown with a *per capita* income of about 50 dollars, India with between 55 and 60 dollars, and Ceylon with between 65 and 70 dollars. Not much importance should be attached to the ranking or relative positions of the countries as implied in the last column. The differences among the countries are much more likely to reflect the statistical shortcomings of the estimates than true differences in the levels of welfare or production.

As to the absolute level of the figures, it is quite possible that they are uniformly on the low side. Because of the importance of subsistence income, unpaid household activity and the like in these countries, it is difficult to estimate the full value of the national income or product, and the likelihood of under-estimation would appear to be more serious than the possibility of over-estimation.

In addition, there are reasons of another kind why these figures may be too low when interpreted as measures of living standards. It must be borne in mind that many services, particularly those involved in distribution — transportation and communication, insurance and financial services, adver-

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[4] For a detailed account of the sources, the estimates and extrapolations carried out by the Statistical Office, and the methods used for converting the figures into United States dollars, reference is made to *National Income Estimates for Seventy Countries for 1949.* Statistical Papers, Series E, No. 1, published by the Statistical Office of the United Nations.

Table 7. National Income Estimates for AFE Countries

(In millions of national currency)

Country and currency unit	*Year*	*National income at factor cost*	*Gross national product*
Burma (rupees)	1931/32	1,191[a]	–
	1938/39	1,225	–
	1939/40	1,556	–
	1946/47	2,385	–
Ceylon (rupees)	1938	–	556
	1944	–	1,726
	1947	–	1,870
	1948	–	2,192
	1949	–	2,527
China: Mainland (yuan)	1931	24,827	38,870
	1932	22,959	31,740
	1933	20,387	26,660
	1934	19,212	23,490
	1935	20,826	26,090
	1936	25,715	28,490
	1946	23,393[b]	–
Taiwan (yen)	1936	579	–
	1938	658	–
	1939	758	–
	1940	887	–
	1941	1,001	–
	1942	1,153	–
	1943	1,324	–
	1944	1,523	–
India (rupees)	1931/32	16,616	–
	1945/46	49,310	–
	1946/47	55,420	–
	1948/49	69,700	–
Indonesia (guilders)	1929	4,971	–
	1930	4,552	–
	1931	3,349	–
	1932	2,593	–
	1933	2,070	–
	1934	2,012	–
	1935	2,205	–
	1936	2,287	–
	1937	2,768	–
	1938	2,815	3,148
	1939	2,933	–
Pakistan (rupees)	1945/46	13,030	–
Philippines (pesos)	1938	1,012	1,191
	1939	2,796	3,289
	1947	3,538	3,931
	1948	3,814	4,227
	1949	4,277	4,752
	1950	4,220[c]	4,689[c]
Thailand (baht)	1938/39	767	921
	1946	8,697	9,930
	1947	13,513	15,531
	1948	14,619	16,967
Japan (yen)	1930	10,828	12,830
	1931	9,993	11,979
	1932	10,732	12,208
	1933	11,799	13,356

Table 7 (continued)

Country and currency unit	*Year*	*National income at factor cost*	*Gross national product*
Japan (yen) (*continued*)	1934	12,263	14,965
	1935	13,528	16,794
	1936	14,604	18,061
	1937	16,807	22,726
	1938	19,026	26,306
	1939	23,825	31,861
	1940	27,162	36,840
	1941	30,813	41,660
	1942	35,353	49,132
	1943	41,564	60,485
	1944	45,995	77,059
	1945	..	..
	1946/47	379,100	389,100
	1947/48	1,128,700	1,159,800
	1948/49	2,165,300	2,429,800
	1949/50	2,874,700	3,197,300

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[a] The series refers to national income at market prices.

[b] The figure for 1946 is expressed in prices of 1936.

[c] Provisional.

Sources:

Burma: 1931/32: Estimate by V. K. R. V. Rao in *National Income of British India 1931-32,* London 1940; 1938/39-1946/47: Estimated by Miss P. Ady in *National Income of Burma,* Ministry of National Planning.

Ceylon: Gross national product at factor cost. Estimates for 1944-49 submitted by the Department of Census and Statistics, Colombo, January, April 1949 and October 1950. Data for 1948 also in *Statistical Abstract of Ceylon 1949,* Department of Census and Statistics, Colombo, 1949. Figures for 1938 from *Report of the Commission on Social Services,* Sessional Paper VII, Colombo 1947. Original data are for gross taxable national output. Correction is made for dividends and interest payable abroad in order to arrive at gross national product at factor cost.

China: National income at factor cost: Estimates by Pao-san Ou, *National Income of China, 1933, 1936 and 1946,* Social Sciences Study Papers, No. 1, Institute of Social Sciences, Academica Sinica, Nanking. Gross National Product: Estimates by Ta-Chung Liu, *China's National Income, 1931-36. An Exploratory Study,* Washington 1946. Both series cover all Chinese geographical areas of the period under consideration including those formerly under Japanese occupation, and differ in the coverage and methods of estimation employed.

Taiwan: 1936: Estimate by Mo-Huan Hsing, Economic Research Section, National Resources Commission, Taiwan. 1938-1944: Estimates by the Tax Section of the Office of the Governor General.

India: Net geographical product at factor cost. Fiscal years starting 1 April. 1931/32: Estimate by V. K. R. V. Rao, *National Income of British India, 1931/32.* 1945/46-1948/49: Estimates submitted by the Government of India in *National Income of British India and the Union Provinces, 1945/46* (Ministry of Commerce, New Delhi 1949); *National Income of the Indian Union Provinces, 1946/47* (Ministry of Commerce, New Delhi 1950); and in a memorandum dated February 1950. Figures refer to the Union Provinces excluding the areas formerly known as the Indian States.

Indonesia: 1931-39: Estimates by Dr. J. J. Polak, "Het nationale inkomen van Nederlandsch Indië 1921-1939", *Statistical and Econometric Studies,* Vol. 2, No. 4. December 1947, The Hague, pp. 104-108 (in Dutch). Estimate of gross national product by the Central Bureau of Statistics of the Netherlands, published in "De nationale rekeningen van Nederlandsch Indië 1938", *Statistical and Econometric Studies,* Vol. 3, No. 2, June 1948, The Hague, pp. 61-75 (in Dutch). For a summary in English of this study see "National Accounts for the Netherlands Indies in 1938", *Special Statistics Communications, No. 4002,* Netherlands Central Bureau of Statistics, August 1949. In this study national income at factor cost in 1938 is estimated at 2,766 million guilders.

Japan: Fiscal years beginning 1 April for post-war years. Calendar years for the other years. Estimates submitted by the National Income Division, Finance Bureau, Economic Stabilization Board, 12 January 1951. Slightly different figures have been tising, etc., to name but a few — are uncommon or play a much smaller role in peasant economies than in the more advanced agricultural or industrialized economies. The scarcity of such services tends to make the national income estimates lower than they would otherwise be, but to the extent that these services do not contribute to welfare in the same degree as, for example, the production of food, the difference in living standards between the underdeveloped and the more advanced countries is magnified by statistics of national income and *per capita* income.

LEVEL OF NATIONAL AND *Per Capita* INCOMES

Table 8. National and *Per Capita* Incomes, 1949

	National income[a] *(million US dollars)*	*Population (thousands)*	*Per capita income (US dollars)*
Burma	612	18,304	33
Ceylon	487	7,297	67
China	12,384	463,493	27
India (1948/49)	19,572	346,000	57
Indonesia	2,150	72,000	30
Pakistan	3,760	74,437	51
Philippines	850	19,498	44
Thailand	650	17,987	36
Japan	8,260	82,151	100

[a] The conversion rates adopted are not strictly official exchange rates but allow for respective differences of the price levels in the countries concerned and the United States.

Of course the accuracy of the population estimates affects the validity of the *per capita* figures, but it is doubtful whether the population estimates are uniformly biased in an upward direction as to lead to under-estimation of *per capita* income. As a whole, the degree of reliability of the population estimates is rather low, except possibly in the case of Japan. Owing to the absence of censuses for recent years, or for other reasons, the population of Indonesia and Pakistan and especially China can be known only approximately, and the figures for these countries must be interpreted with this in mind.

CHANGE IN REAL NATIONAL AND *Per Capita* INCOME

Table 9 shows the changes in real income — total and *per capita* — in six countries. The figures for Burma, Thailand and Japan are official; those for the remaining countries have been estimated by the Statistical Office of the United Nations, mainly by deflating the current figures by indices of the cost of living.

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published for pre-war years in the *Statistical Abstract of Japan, 1950,* July 1950, p. 134

Pakistan: Estimate based on *National Income of British India and the Union Provinces, 1945/46.*

Philippines: Estimates compiled by the Central Bank of the Philippines.

Thailand: Estimates submitted in a memorandum by the *National Economic Council* January 1950. Figures for 1938/39 refer to year beginning 1 April 1938.

The figures are of considerable interest inasmuch as they reveal the over-all changes in output over a span of years. Of the countries for which such statistics are shown, Burma and Japan show the steepest decline in real product since pre-war years — roughly to 50 per cent of pre-war levels, in terms of both total product and average product per head of the population. In the Philippines, national income in real terms in 1949 exceeded slightly the level of output achieved in 1938, but output per person

Table 9. National and *Per Capita* Incomes in Constant Prices

		National income (in millions of national currency)	*Population (thousands)*	*Per capita income (in national currency)*
Burma	1938/39	1,225	16,300	75
	1946/47	693	17,325	40
Ceylon	1938	556	5,810	95
	1944	645	6,276	100
	1947	635	6,879	92
	1948	840	7,086	118
India[a]	1931/32	17,120	206,000	83
	1945/46	18,530	242,000	77
	1946/47	18,295	244,000	75
	1948/49	16,958	246,000	70
Philippines	1938	994	15,814	629
	1946	490	18,427	257
	1947	810	18,777	415
	1948	927	19,134	475
	1949	1,080	19,498	560
Thailand	1938/39	767	14,755	52
	1946	548	17,041	32
	1947	787	17,351	45
	1948	892	17,666	50
Japan	1937/38	14,000	70,360	197
	1938/39	13,900	70,590	193
	1939/40	15,600	70,930	215
	1940/41	14,300	71,540	195
	1941/42	14,100	72,750	190
	1942/43	12,400	73,480	165
	1943/44	12,700	73,960	166
	1944/45	12,700	73,865	173
	1946/47	5,300	76,155	69
	1947/48	5,900	78,627	75
	1948/49	7,800	80,697	97

Notes and sources:

Burma: Estimate for 1946/47 expressed in prices of 1938/39. *Source:* Miss P. Ady, *National Income of Burma* (mimeographed report).

Ceylon: Estimates shown after elimination of foreign military expenditure in Ceylon. Expressed in 1938 prices by means of the cost of living index for Colombo.

India: Estimates deflated to 1938/39 prices by means of the general wholesale price index for India. Data are for fiscal years beginning 1 April.

Philippines: Estimate expressed in prices of 1938 by means of the cost-of-living index for Manila.

Thailand: Estimates expressed in prices of 1938/39 as submitted in a memorandum by the National Economic Council.

Japan: Estimates refer to fiscal years beginning 1 April and are expressed in prices of 1930-34. *Source: Statistical Abstract of Japan, 1950,* Statistics Bureau, Office of the Prime Minister, July 1950, p. 134.

[a] Refers to Indian Union Provinces as they stood before partition, excluding former Indian States.

fell slightly during this period because of the growth of the population. This appears also to have been the situation in Thailand, except that recovery as measured by total output was fully achieved by 1948, the last year for which figures are available.

Unfortunately, figures for a recent pre-war year are not available for India. As compared with 1931/32, real national income in India was down by one per cent by 1948/49, and income per person fell by about 16 per cent. If the figures of table 9 may be taken as reliable guides, it appears that Ceylon in the decade 1938-1948 made the most rapid advance by far of all countries covered in the table: total national income rose by approximately half, and real income per person by about one-quarter.

Distribution by Size of Incomes of Persons

Statistical information on the distribution by size of individual and family incomes would be very valuable for analysing many of the economic and social problems of the countries of Asia and the Far East. Unfortunately, the statistical data available are fragmentary and therefore it is not possible to present a very detailed analysis. The application of methods for studying income distribution as used in the highly developed countries would require much more detailed information than can be assembled. Studies of the income distribution of the countries of Asia for the population as a whole and for various economic and social categories must be considered as long-range objectives. In preparing a summary for this annual survey, use has been made of whatever fragmentary material was easily available. The conclusions arrived at are preliminary and can be formulated only in general terms. They are subject to revision if at a future date more data can be collected.

The distribution of incomes of persons follows more or less the same pattern in all countries of Asia and the Far East. A very large proportion of the population chiefly engaged in agriculture, handicrafts and small industries receives very low incomes. In addition there is a relatively small number of individuals in the higher income brackets who receive a disproportionately high percentage of the national income. Within this group the distribution of incomes is usually very unequal. Even among the agricultural population the inequality of the income distribution is large in some countries, whereas in other countries income is much more equally distributed among this group.

The available data are chiefly income-tax statistics and information on the wage rates in industry, mining, and large-scale plantations. Even such scanty information is available only for Ceylon, India, Indonesia and Japan. For the Philippines the conclusions reached in the Bell Report[5] can be used. In most countries of Asia the income-tax statistics cover only persons in the higher income brackets and they exclude the large masses of the population engaged in agriculture, etc.

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[5] *Report to the President of the United States by the Economic Survey Mission to the Philippines,* Washington, D.C., 9 October 1950.

Table 10. Numbers of Taxpayers and Total Taxable Income as Percentages of Total Occupied Population and National Income

Country	*Year*	*Approximate number of individual taxpayers as a percentage of the total occupied population*	*Taxable income as a percentage of national income*
Ceylon	1947	2.06	28.1
India	1945/46	0.032	4.6
Indonesia	1938	0.70	19.0

Table 10 shows for Ceylon, India and Indonesia the number of people assessed for income tax as a percentage of total occupied population, and the taxable income as a percentage of the national income. In making comparisons between these percentages, it must be taken into account that national income includes undistributed profits of corporations and other items which do not enter into personal income. On the other hand, personal income may include certain transfer incomes which do not enter into national income, although these amounts are usually very small in countries of Asia.

It is difficult to draw any conclusions regarding changes in the inequality of the income distribution. There are indications that during the war the inequality of distribution of incomes increased somewhat in Ceylon and India. The available figures suggest that after the war there has been a reversal of this tendency in these two countries. In the Philippines, according to the *Report by the Economic Survey Mission,* the inequality in the distribution of incomes, which has always been large, has become even greater during the past few years.

Ceylon: On the basis of available figures it appears that before the war the inequality of the distribution of incomes in Ceylon was perhaps somewhat greater than in India. The main source of information is income-tax statistics as published in *Statistical Abstract of Ceylon, 1949.* These data may be combined with information on the occupational structure of the population, data on wages, etc.

India: A rough indication of the size distribution of incomes in India may be had from income-tax statistics and fragmentary data relating to the distribution of agricultural workers according to the size of their holdings. Thus, for instance, on the basis of income-tax data, Dr. V. K. R. V. Rao[6] came to the conclusion that in 1931/32, among the urban classes nearly half the total income belonged to one-tenth of the total number. Even among the comparatively well-to-do classes, whose annual incomes exceeded Rs. 2,000 a year, 38 per cent of their number could claim only 17 per cent of their total income, while the richest 1 per cent were in possession of as much as 10 per cent of their total income. A similar marked inequality of incomes was also characteristic of the agricultural classes. This conclusion is based on the fact that in some of the provinces nearly 50 per cent of the smallest landholders had between them only 10 per cent of the total cultivated land, while the upper 1 per cent of landholders together held about 16 per cent of the land. Moreover, out of 66.2 million wage earners in agriculture, nearly 23 million, or about 35 per cent, lived on wage incomes which were smaller than those of the small landholders. Income-tax statistics suggest that during the war years inequality had increased somewhat in India, but there seems to be a reversal of this tendency in the post-war period.

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[6] *The National Income of British India, 1931/32,* pp. 189-190.

Indonesia: Income statistics are available for a period covering a number of years. Since the fiscal income concept comes close to the definition used in national income analysis, the figures may be used for analysing the distribution of incomes and its changes over a period of time. However, it must be taken into account that the tax-exemption limit is rather high and that therefore the statistics cover mainly the Europeans, the Chinese and only a small group of Indonesians in the higher income brackets. On the whole the inequality of distribution of incomes for the above-mentioned groups of population in Indonesia was less marked than in Ceylon and probably more comparable to conditions in India.

Japan: In Japan the income tax covers a very large percentage of the total population. Although tax statistics suffer from the usual defects, they may be useful as a rough indication of the distribution of incomes in this country. In general, incomes of persons appear to be distributed far more equally than in Ceylon, India, Indonesia and the Philippines. A recent sample survey of individual wages[7] leads to the conclusion that the differences between wages in agriculture, industry and commerce are not so large as in other countries of Asia and the Far East.

Philippines: Detailed tax statistics for this country are not available, but the following statement on the subject, appearing in the *Report of the Economic Survey Mission,* may be taken as a fair description of the situation: "The inequalities in incomes in the Philippines, always large, have become even greater during the past few years. While the standard of living of the mass of people has not reached the pre-war level, the profits of businessmen and incomes of large landowners have risen very considerably. Wages and farm incomes remain lower than the economy can afford because of the unequal bargaining power of workers and tenants on the one hand, and employees and landowners on the other. Under such conditions any policy that keeps prices high has the effect of transferring real incomes from the poor to the rich. This is what has happened in the Philippines, where prices on the average are three and one-half times as high as pre-war."

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[7] *Report on Individual Wage Survey 1948,* Labour Statistics and Research Division, Ministerial Secretariat of Labour Ministry, Japan.

NATIONAL INCOME BY DISTRIBUTIVE SHARES

Estimates of the national income by distributive shares, i.e., classified by wages and salaries, entrepreneurial incomes, profits of corporations, rent and interest, are a valuable source of information for the study of problems of the under-developed countries. For example, the figures may be helpful in studying the problems of financing economic development, such as ascertaining and appraising the various sources of domestic saving. Compared with similar statistics for the highly developed countries, they may reveal important differences in economic and social structure. Intertemporal comparisons may indicate if and in what direction changes in the distribution of the national income are taking place. Unfortunately, for many of the under-developed countries the breakdown of the national income by wages and salaries, entrepreneurial incomes, etc., is not available. Because of lack of basic economic and financial statistics it is usually not possible to estimate the national income by consistent methods, e.g., by evaluating the net product of each industry, or by computing the income payments to the factors of production. The available figures are usually based on a mixed method of estimation, i.e., certain elements of the national income may be based on the net value added method, whereas other elements may be compiled on the basis of the incomes paid out, or by other methods. Adjustments may be necessary to avoid duplication or to fill remaining gaps. It is obvious that figures arrived at in this way, though useful for many purposes, cannot be used to show the breakdown by all industries, or the shares of the factors of production in the total. In addition, there is the difficulty that the so-called subsistence or non-monetary income of the rural population, which usually forms a large percentage of the national income of the under-developed countries, includes both labour and entrepreneurial income and cannot easily be broken down into these two components.

Table 11. Japan: National Income by Distributive Shares

(In thousand millions of yen)

	1938	*1947*	*1948*	*1949*
Compensation of employees	7.6	308.5	822.7	1,255.3
Income of proprietors	6.3	598.0	1,047.3	1,334.3
Corporate profits before taxes	1.8	0.2	26.0	95.0
Profits of public enterprises	0.5	—3.2	—2.1	17.3
Net interest	1.0	5.8	8.7	13.6
Net rent	1.8	7.7	18.3	27.5
National income	19.0	917.0	1,920.9	2,743.0
(Percentages)				
Compensation of employees	40.0	33.6	42.8	45.8
Income of proprietors	33.2	65.2	54.5	48.6
Corporate profits before taxes	9.5	–	1.4	3.5
Profits of public enterprises	2.5	—0.3	—0.1	0.6
Net interest	5.3	0.6	0.5	0.5
Net rent	9.5	0.9	0.9	1.0
National income	100.0	100.0	100.0	100.0

Table 11 shows the breakdown of the national income by distributive shares for Japan, the only country of the region for which this classification is available. The figures, which should be considered as rough estimates, reflect the general pattern of the composition of the national income in underdeveloped countries. The share of money wages and salaries in the total is smaller than for the more developed countries, whereas the percentage share of income of unincorporated enterprises is much larger than in the developed countries.

Even where it is not possible to prepare estimates of all the components of the national income, useful fragmentary series may exist. Estimates of wages and salaries may be available for the government sector, principal branches of transportation, and other industries; profits of corporations may be known from tax statistics, etc. Such partial data may still be useful for purposes of economic analysis. For example, estimates of the wage bill in agricultural or industrial branches producing for world markets may show to what extent the incomes of people employed in these industries is affected by fluctuations in demand abroad.[8]

Statistics of the national income by distributive shares may also be used to indicate the division according to domestic and foreign claimants, i.e., to show what part of the income produced within a country accrues to foreigners in the form of net interest, dividends and branch profits, pensions, etc. As an example the following figures for Indonesia may be cited (table 12):

Table 12. Indonesia: Net Investment Income and Other Financial Income Payable Abroad

(In million guilders)

	1938	*1939*	*1946*	*1947*	*1948*	*1949*
Net investment income payable abroad, including interest on government debts	201	157	50	25	58	125
Pensions	32	40	112	199	234	448
Net private remittances	21	20				
Costs of directors' head offices abroad, including bonuses	27	22				
Miscellaneous[a]	19	6				
Total	300	245	162	224	292	573

[a] Contributions to pension funds abroad, leave pay of government officials, etc.

According to these figures about 10 per cent of the net national product of Indonesia was paid out abroad in the form of interest, profits, pensions and personal remittances in the years immediately before the war. Although for other countries of the AFE region figures are not available in the same detail, the percentage figure was lower. In post-war years net investment income payable abroad has been very small in all AFE countries, generally less than one per cent of the national income.

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[8] As an example it may be cited that in Indonesia the total wage bill in the sugar industry fell from 101.8 million guilders in 1929 to 7.3 million guilders in 1935, after which it rose to 16.5 million guilders in 1938.

While donations in the form of private and institutional remittances and official grants received by a country from abroad are not properly regarded as forming part of the recipient country's national income, such unilateral payments do, of course, improve the position of the country. In 1948, Japan and the Philippines received donations from abroad (chiefly official grants from the United States) amounting to more than 5 per cent of their national income. In the same year, China received sums amounting to perhaps 2 to 3 per cent of its national income (also primarily official grants from the United States). In 1947 Indonesia received credits from the Netherlands Government which may now be regarded as grants amounting to more than 5 per cent of the national income. For Ceylon and India, on the other hand, international donations were relatively minor items, Ceylon making some net remittances of a personal nature to foreign countries, and India receiving a small amount remitted by Indian labourers in Burma, Ceylon and Malaya.

NATIONAL INCOME BY INDUSTRIAL ORIGIN

Table 13 shows national income by industrial origin for nine countries. The figures relate to various years for the different countries, ranging from 1936 for Taiwan to as late as 1948/49 for Japan. It may be noted, however, that the structure of the national economies of these countries is characterized by only gradual change, and that the fact that figures for a common recent year are not available is not a serious shortcoming in examining the industrial composition of the national incomes.

Far more serious is the questionable quality of the figures themselves and the lack of uniformity of the industry definitions. As to the quality of the figures, the volume of activities and transactions taking place outside the monetary sphere, especially in the agricultural sector, makes it difficult to measure the net income arising in each industry with any high degree of confidence. Great care must be exercised in estimating the subsistence income, since a large proportion of the national product of peasant countries is consumed directly without entering into trade. In addition to the low quality of much of the basic data there is the problem of careful definition of industries before satisfactory comparisons may be made. Obviously, the dividing line between any industry and all the others can be drawn at different places. The fact that the figures have been brought together under uniform industry headings should therefore not disguise the lack of uniformity that exists in the industry definitions. In general, *agriculture* is used in the table to include, along with agriculture proper, such allied activities as forestry, fisheries, hunting, etc. *Manufacturing and construction* includes mining; *government* excludes public enterprises, which are classified by industry; *transportation and communication* includes all public utilities; and the *all others* category comprises finance, real estate, insurance, services, net income from abroad, etc. This, at any rate, is the principle of classification used in the table. It must be emphasized, however, that in many cases sufficiently detailed and exact information as to the content of industries specified in the national publications and used as the basis for

Table 13. Percentage Distribution of National Income by Industries in AFE Countries for Selected Years

	Burma[a] *(1946/47)*	*Ceylon*[b] *(1948)*	*China*[c] *(1946)*	*Taiwan*[d] *(1936)*	*India*[e] *(1946/47)*	*Japan*[f] *(1949)*	*Pakistan*[g] *(1945/46)*	*Philippines*[h] *(1948)*	*Thailand*[i] *(1948)*
Agriculture	39	56	62	41	42	28	60	65	61
Manufacturing and construction	61	7	8	25	58	32	40	..	13
Government		17	7	7		5		5	4
Trade		8	10	26		14		..	16
Transportation and communication		5	4	8		8		2	1
All others		7	9	—7		13		28	5
Total	100	100	100	100	100	100	100	100	100

Note: It should be noted that the definitions of industries are not necessarily uniform from country to country. In general, *agriculture* includes not only agriculture proper but also forestry, fisheries and allied activities; *manufacturing and construction* includes mining; *government* excludes public enterprises, which are classified by industry; *transportation and communication* includes all public utilities; *all others* comprises finance, real estate, insurance, services, net income from abroad, etc. Exceptions are noted below wherever known.

[a] Based on *The National Income of Burma* by Miss P. Ady (mimeographed).

[b] Adapted from figures shown in *Statistical Abstract of Ceylon, 1949,* Table 182, p. 215. The figures for *agriculture* and *manufacturing and construction* are obtained by applying the percentages prevailing in 1947 to the combined figure for these industries published in the 1949 *Abstract.* The figure for *government* includes an item "capital development". The distribution refers to gross taxable national income at factor cost.

[c] Based on Pao-san Ou, *National Income of China, 1933, 1936, and 1946,* Social Sciences Study Papers, No. 1, Institute of Social Sciences, Academia Sinica, Nanking. Percentages have been calculated from figures expressed in 1936 prices.

[d] Based on estimates by Mr. Mo-huan Hsing, Institute of Economic Research, National Resources Commission of China. The negative figure for *all others* results from negative income from abroad (i.e. on balance, more in interest, dividends, etc. was paid abroad than received from abroad).

[e] Based on *National Income of the Indian Union Provinces, 1946/47.* Ministry of Commerce. Figures refer to India excluding the former Indian states and are for the fiscal year beginning 1 April.

[f] Based on figures submitted by the Statistics Bureau, Office of the Prime Minister, 12 January 1951.

[g] Based on *National Income of British India and the Union Provinces, 1945/46,* Ministry of Commerce.

[h] Based on communication from the Bureau of Census and Statistics, Manila. The figure for *agriculture* includes a small amount covering building which could not be separated from forestry. *Government* includes education. The figure shown for *all others* covers all activities for which separate figures are not given. The distribution refers to gross national product.

[i] Based on J. S. Gould, *Estimates of Gross National Product and Net National Income of Thailand* (mimeographed). The distribution refers to gross national product at market prices. The figure for *Government* includes government education.

table 13 was not available. To the extent that deviations from or exceptions to the principle of classification employed were known, fuller information is given in the notes to the table.

The dominant position of agriculture in all countries except Japan is apparent from the figures. In the Philippines, China, Pakistan and Thailand, the share of agriculture in the total national income is between 60 and 65 per cent. In Ceylon the importance of the agricultural sector is only slightly less marked (about 55 per cent). In India, Burma and Taiwan, agriculture appears to give rise to about 40 per cent of the national income. In Japan alone the importance of agriculture is less marked, accounting for only about 29 per cent of the national income. Because of the shortcomings of the data, and also because in a few cases gross national product or some other variant is used as a basis for the distribution by industries rather than national income, the precise percentages given must be accepted with reservations. The percentages for other industries, it will be seen, vary considerably from country to country. While in general the transportation and communication sector is very small, the importance of government, manufacturing and construction and trade appears to vary enormously. In Japan, the Philippines and Thailand, government is about 5 per cent of national income; for China and Taiwan the figure is a little higher. In Ceylon, on the other hand, over 15 per cent of the national income arises in government. The share of manufacturing, construction and trade in national income is equally variable. For the countries for which these figures are available, Ceylon and China rank lowest, with between 15 and 20 per cent of national income originating in these industries combined. For Thailand the figure is about 30 per cent; for Taiwan and Japan, about 50 per cent.

NATIONAL INCOME AND CAPITAL FORMATION

Little statistical information is available in the AFE countries on the distribution of national income between consumption and investment, or on the absolute magnitude and the rate of capital formation. However, it is possible to draw certain indirect and broad inferences on the basis of such fragmentary data as are available for some of the countries.

As is to be expected in the case of countries with low *per capita* incomes, a high propensity to consume and a low propensity to save and invest are characteristic of the economies of AFE countries except Japan. During the war, because of restricted consumption, it is possible that a larger proportion of income was saved in most of these countries. But since, with the exception of Japan, most of these countries rely heavily upon imported capital goods for capital formation, and imports were restricted during the war, it is equally certain that larger savings were not wholly utilized for acquisition of capital goods. In Japan the picture was vastly different. During the war consumption was kept progressively low and investments progressively high. In the post-war period it appears from the available data that capital formation is proceeding in some of the AFE countries at a rate appreciably above or at the pre-war levels, though the real *per capita* incomes are still low, and consumption rates high. This seems largely a consequence of the fact that in post-war years the governments of most of these countries have been providing and spending large sums of money on projects of economic development. Ceylon, India, Pakistan, Thailand, and to some extent Malaya follow these trends. However, the situation in this respect appears to be less satisfactory in the case of Burma, Indonesia and the Philippines. Even in countries where post-war imports of capital goods are above the pre-war levels, there is reason to believe that not all imports constitute net additions to their productive assets. Since the internal production of capital goods in these countries, with the exception of Japan, is either non-existent or negligible, and during the war imports of capital goods were severely curtailed, it is likely that a large proportion of the post-war imports has been used mainly to meet the backlog replacement demands.

Table 14. Quantum Indices of Imports of Capital Goods
(1938 = 100[a])

	Ceylon	*India*[b]	*Indonesia*	*Malaya*	*Philippines*
1938	100	100	100	100	100
1948	171	158	60	100	132
1949	190	213	65	101	155
1950	..	232[c]	28[d]	..	..

[a] Computed by the Statistical Office of the United Nations from available trade statistics.
[b] The index refers to fiscal years ending 31 March of year stated.
[c] Figure, computed on an annual basis, refers to first four months of fiscal year stated.
[d] Figure, computed on an annual basis, refers to first six months of 1950.

Burma: In 1946/47, 32 per cent of the total government expenditure was devoted to direct and indirect investments. This percentage increased to 37 in 1947/48 but fell to 26 in 1948/49 and 29 in 1949/50. Data furnished by the Ministry of Planning, Government of the Union of Burma, indicate that in 1947/48 the real imports of capital goods were probably above the level of 1938/39, but in 1948/49, due to internal political disturbances, these had fallen significantly below the pre-war level.

Ceylon: In 1948 personal consumption[9] in Ceylon amounted to about 66 per cent of the gross national product and only 8 per cent of it was devoted to gross capital formation. Private capital formation claimed a little over 4 per cent of gross national product. In general, the trend in capital formation was upward. In 1948 and 1949 the index of real imports of capital goods was appreciably above the pre-war level. A large proportion of these imports consisted of heavy electrical machinery, vehicles and ships. From 1947 to 1949 government investment expenditure followed a similar trend. The main items of loan expenditure were on irrigation and industrial projects, electrical power development, building schemes, and communications.

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[9] *Statistical Abstract of Ceylon, 1949.*

India: According to *The Eastern Economist,*[10] the volume of annual saving in India amounted to a little less than 10 per cent of the national income before the war, increased to a little over 18 per cent during the war, and then declined to about 7 per cent by 1945/46. According to the same source, thereafter there was net dissaving in India. These conclusions rest on the assumption that both during and after the war there was no net saving in the agricultural sector. Therefore, the figures can be used only as rough indicators. But they seem to indicate that the rate of saving had probably declined in the post-war years. Family budget studies of industrial workers[11] show that nearly 60 per cent of the income is generally spent on food and clothing. The capacity to save of this group is extremely low. Similarly, a sample survey[12] of middle-class family budgets shows that in 1945/46 average monthly family incomes ranged from Rs. 160 to Rs. 286, and the expenditures varied from Rs. 185 to Rs. 300. The survey also shows that in the sample more than 80 per cent of the budgets were deficit. As the real *per capita* income appears to have declined since pre-war, and the prices of food, etc. are much above the pre-war level, there is little reason to believe that in the post-war years the rate of saving or investment had gone up considerably.

The trend of capital formation during the post-war years may be judged from the following figures. The capital outlay of the government was Rs. 558 million in 1948/49, and Rs. 547 million (revised estimates) in 1949/50. The revised estimate for 1950/51 is Rs. 808 million. The index of real imports of capital goods (base 1938 = 100) stood at 158 in 1948, and 213 in 1949. Indications are that in 1950 it may go up to 232. Imports of machinery had increased from Rs. 185 million in 1938 to Rs. 745 million in 1948, and Rs. 1,000 million in 1949. During the first four months of 1950 India imported machinery valued at Rs. 298 million. Since the post-war prices have been about two and a half times the pre-war level, it appears that in the industrial sector capital goods were being acquired during the post-war years in appreciably larger quantities than during the pre-war years.

Indonesia: A high rate of consumption and therefore a low rate of investment during the pre-war period is apparent from the fact that in 1938 nearly 85 per cent of net national product was devoted to expenditure on consumers' goods and services.[13] Though the gross domestic investment (public and private) amounted to about 10 per cent of the net national product, after allowing for depreciation, the net investment was a little under 3 per cent of net national product. This was largely financed by foreign investors. In the post-war years government investment expenditure was from 4 to 5 per cent of the total expenditure. The high propensity to consume is also reflected in the fact that before the war, among the plantation workers,[14] average monthly incomes ranged from 677 cents to 2,334 cents, and the monthly expenditure on consumers' goods ranged from 666 cents to 1,697 cents.[15] The index of real imports of machinery (table 15) indicates that capital formation during the post-war years remained below the pre-war level.

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[10] Annual Number, India, 1948, p. 1130.

[11] *The Indian Labour Yearbook, 1947/48,* Labour Bureau, Government of India.

[12] *Report on an inquiry into the family budgets of middle-class employees of the Central Government,* Office of the Economic Adviser of the Government of India.

[13] *National Income Statistics of Various Countries, 1938-1948,* Statistical Office of the United Nations, 1950, p. 98.

Malaya and Singapore: In 1948 and 1949 the index of imports of capital goods had reached the pre-war level. In 1948, however, imports of iron and steel products and machinery were substantially less than in 1938, and the imports of vehicles, e.g., automobiles, trucks, buses, etc., were correspondingly higher. The situation in 1949 was somewhat different in the sense that during that year imports of vehicles had declined somewhat, and those of iron and steel products and machinery were above the 1948 level, though the pre-war level was not reached.

Pakistan: Imports of capital goods amounted to Rs. 167.5 and Rs. 223.2 million during 1948/49 and 1949/50, respectively.[16] These figures suggest a progressive trend of capital formation in Pakistan. Government expenditure on investments amounted to 7 per cent of the total expenditure in 1947/48, 11 per cent in 1948/49, 10 per cent in 1949/50, and 7 per cent in 1950/51.

Philippines: From the index of real imports of capital goods (table 14), it may be concluded that capital goods were being acquired at a faster rate during 1948 and 1949 than during 1938. Government capital expenditure was also quite large in 1948/49, amounting to 276 million pesos. From the report of the Bell Mission it appears that though the investment in the post-war period was exceptionally high, too much of it went into commerce and real estate instead of into development of agriculture and industry, and the investment undertaken by government corporations was ineffective.

Thailand: Government investment expenditure amounted to 11 per cent of the total government expenditure in 1946. In 1947, 1948, 1949 and 1950 investments accounted for 9, 14, 23 and 24 per cent respectively of the total government expenditure. The capital expenditure of the Government, which amounted to about 80 million baht in 1946 and 1947, rose to 215 million baht in 1948 and is estimated at more than 500 million baht in 1950.

Japan: Data on private domestic investment in the late thirties and during the war period tend to indicate a high level of gross capital formation in Japan. From available data,[17] gross private domestic investment appears to have increased from an annual average of 1.5 billion yen in the period 1930-1936, to an annual average of 9.8 billion yen from 1939 to 1944. Even after allowance is made for about a threefold increase in prices, the war period shows at least a doubling in the rate of gross capital formation over that of 1930-1936. These annual averages constituted 10 and 20 per cent, respectively, of the average gross national product in these two periods. The figures in table 15 indicate a precipitous drop in gross capital formation during the immediate post-war years 1946 and 1947, although deficiencies in the data for these years probably exaggerate the decline. Subsequently, there appears to have occurred a substantial increase in gross capital formation.

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[14] *Report of Living Standards of Plantation Workers in Java, Prior to the War,* United Nations Document A/323/Add.3, 9 October 1947.

[15] 1 guilder = 100 cents = US$0.55 in 1938.

[16] *Seaborne trade statistics of Pakistan.*

[17] Japanese Government Memorandum prepared by the Finance Bureau, Economic Stabilization Board, 31 August 1950.

Table 15.[a] **Japan: Index of Capital Goods Production**
(Base 1932-36 = 100)

Year	*All durable goods*	*Industrial machinery*	*Transportation equipment*
1938	194.7	235.5	292.3
1939	214.4	290.4	294.5
1940	225.7	305.9	312.6
1941	253.5	414.0	305.3
1942	262.9	403.0	379.8
1943	349.9	479.0	703.1
1944	432.2	481.3	1,214.3
1945	167.9	216.4	451.1
1946	41.0	64.4	68.5
1947	48.6	87.0	47.7
1948	75.2	108.6	96.2
1949	100.7	132.2	96.7
1950	118.4	123.3	101.6

[a] *Japanese Economic Statistics,* January 1951, Bulletin 53, Section I.

Though the figures for 1949 and 1950 in table 15 suggest that Japan may have attained an absolute level of gross capital formation equal to that of the 1932-1936 average, it is difficult to say whether this represents any net capital formation. From the fact that the years 1930-1936 were depression years, and also from the fact that there was a substantial amount of unused capital facilities in 1949 and 1950, one may infer that the present level of gross capital formation probably does not represent any net capital formation for the Japanese economy as a whole.

CHAPTER V

Financing of Economic Development

The financial aspects of economic development[1] may be conveniently reviewed by analysing the financial requirements involved in current development programmes, the nature and extent of external financing, its relation to internal finance and the development of existing institutions, and the government's role in mobilizing and channelling savings into economic development projects.

A considerable amount of financing is being done in most countries of the region, both by government and private enterprise. Foreign funds attracted to the region, whether in the form of loans or grants, have in the post-war years entered chiefly through governmental channels. In regard to internal finance, the fiscal and investment activities and policies of government determine the size and methods of domestic capital formation. Private financial and banking institutions, assisted by governments, play a large part in meeting the financial requirements in the private enterprise sector of the economy.

It may be noted that out of their over-all development programmes governments have chosen priority projects for implementation and have financed them. Simultaneously private enterprise has also been carrying out its own projects.[2] Owing to lack of data it is not possible, however, to state precisely to what extent financial requirements have been met in relation to the over-all magnitudes involved. In several instances, rehabilitation and development financing started before over-all programmes were prepared, and often without clear reference to such programmes.

MAGNITUDE OF FINANCIAL REQUIREMENTS AND POSSIBLE SOURCES OF SUPPLY

An ECAFE Working Party on industrial development[3] placed the cost of the various national plans covering periods from two to ten years at

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[1] For a comprehensive account of the whole subject, see Economic Commission for Asia and the Far East, *Mobilization of Domestic Capital through Financial Institutions of the ECAFE region,* (E/CN.11/I&T/40, January 1951).

[2] See chapter VI, "Planning for Economic Development".

[3] *Report and Recommendations of the Industrial Working Party* (E/CN.11/131 and annexes), October/November 1948.

$13,600 million, corresponding to an annual figure of $2,300 million. Of the total, about one-half was required in foreign exchange.

The FAO has estimated that, on the basis of over-all national development plans, investment would amount to $2,750 million per year, of which $1,500 million would be in terms of foreign exchange.[4] Another FAO calculation for all under-developed areas in the world as a whole, based on certain assumptions, indicated that for a population of 100 million people, an annual investment of $920 million would be required for moving 1 per cent of the farm population form the land and for absorbing the annual increase in the working population into non-farm occupations.[5] For the ECAFE region, with a population of over 1,000 million, the investment requirements *per annum* on this basis would aggregate $10,000 million if the assumptions were applied.

While regional estimates serve a useful purpose, an alternative method of analysis is to deal with the financial requirement for development on a country-wide basis. In the paragraphs which follow, the magnitude of financial requirements and their distribution between internal and external finance are outlined for countries for which data are available. Concrete and specific estimates based on individual projects have recently been prepared by the Commonwealth Governments, namely Ceylon, India, the Federation of Malaya and the British Borneo territories, and Pakistan, covering the fields of investment by public authorities.[6] For Indonesia and the Philippines, estimates are available of the combined governmental and private investment requirements. For Burma, South Korea and Thailand, other estimates are given below.

Burma

In 1948 a two-year plan for economic development was prepared for implementation within the following two years.[7] No reliable estimate of the financial requirements of the two-year development programme has been made.[8] One rough estimate of the total cost of the plan places it in the neighborhood of Rs. 750-850 million. However, the following information is available on the cost of a few specific projects: spinning and weaving factory Rs. 14 million; paper factory Rs. 20 million; hydro-electric power (small station), Rs. 58 million; hydro-electric schemes, Rs. 60 to 140 million; iron and steel, Rs. 4 million. The Industrial Development Committee estimated that between 1949 and 1959 a sum of Rs. 630 million, or Rs. 63 million per annum, would be available for financing development. In the light of the dislocation of Burma's economy by insurgent activity and the consequent inaccessibility of certain important areas, however, this estimate has no realistic foundation.

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[4] *Report on International Investment and Financing Facilities,* fifth session, FAO Conference, November 1949.

[5] *Ibid.*, p. 16. The assumptions on which this calculation was based are that 40 per cent of the region's population was in the labour force, that 80 per cent of its workers were in rural occupations, that population increased at the rate of 1.5 per cent annually, that national income was $70 per capita, and that a capital investment of $1,000 per person was required for the 920,000 persons for whom non-farm occupations were to be provided. The population structure was based on that in under-developed areas, including southern and eastern Europe, the Union of Soviet Socialist Republics, the Near and Far East, Africa and Latin America, and the capital requirement estimate was based on investments actually made in rapidly expanding countries.

[6] *The Colombo Plan for Co-operative Economic Development in South and Southeast Asia,* Report by the Commonwealth Consultative Committee, London, October 1950.

[7] See chapter XVI on "Economic Planning", *Economic Survey of Asia and the Far East, 1949.*

[8] ECAFE, *Industrial development and planning* (E/CN.11/I&T/29), December 1950, pp. 101-103.

The basic assumption for financing the development programme was that considerable resources would be available from the export of rice and timber. Not only were the target figures for these two principal exports not realized, but the available revenues of the Government had to be diverted to defence expenditure. Thus the State Agricultural Marketing Board and the State Timber Board, which handled the two principal exports, were able to contribute in two years nearly Rs. 150 million to the rehabilitation and development fund set aside for financing economic development, but as the internal disturbances increased and government revenues declined, these funds had to be drawn upon for non-developmental expenditures. Furthermore, the Government was simultaneously confronted with the necessity of meeting other financial requirements in the economy, especially the financing of the cultivation and marketing of rice and timber, because the traditional sources of credit from foreign enterprise were more or less closed.

Ceylon

Ceylon's six-year development programme[9] is estimated to cost Rs. 1,360 million. Of this, Rs. 450 million will be provided by government loans, and Rs. 360 million by planned budget surpluses. This assumes an annual rate of borrowing by the Government of Rs. 75 million, which compares with Rs. 46 million in 1948/49 and Rs. 30 million in 1949/50, and a budget surplus of Rs. 60 million per year. Thus, Ceylon expects to raise Rs. 135 million per annum from internal finance. Having regard to the dependence of Ceylon's economy on the world prices of its products, these estimates postulate a reasonable stability of export prices. Taxation already yields about 20 per cent of the national income and, in view of the recent increases in direct taxation and the somewhat heavy incidence of the export duties which are also sensitive to world prices, it is thought that Ceylon will not be able to raise a higher proportion of its financial requirements internally.

Ceylon's external financial requirements are placed at Rs. 550 million under the plan; to this are to be added the estimated balance-of-payments deficit during the period, Rs. 250 million. This latter amount, however,

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[9] *The Colombo Plan, op. cit.*

Ceylon expects to meet by drawing on its sterling balances. Thus the sum of Rs. 550 million will have to come from other external sources.

India

The development programme of India involves public investment of Rs. 3,070 million per annum in the period 1951-57. In the course of executing the plan, it is expected that net private investment may be induced to the extent of Rs. 1,600 million annually in the initial stages of the plan, rising to Rs. 2,600 million by 1956/57. The 1950/51 rate of public investment per annum is Rs. 2,250 million and, taking into account private investment, total investment amounts to something like 4 per cent of the national income. At the end of the planning period it is estimated that total investment would rise to nearly 5½-6 per cent of the increased national income. The finance for private investment is expected to come from individual savings and the savings of companies.

Table 16 shows the estimated internal and external financial requirements for the six-year period so far as investment by the public authorities is concerned:

Table 16. India: Internal and External Cost of Public Investment, 1951-57
(In million rupees)

	1951/52	*1952/53*	*1953/54*	*1954/55*	*1955/56*	*1956/57*	*1951/57*
Investment in the public sector	3,070	3,070	3,070	3,070	3,070	3,070	18,400
Internal financial resources.	1,360	1,490	1,590	1,780	2,000	2,090	10,300
External finance necessary for the programme......	1,710	1,580	1,480	1,290	1,070	980	8,100

Source: The Colombo Plan for Co-operative Economic Development in South and Southeast Asia, p. 19.

Of the total sum for public investment of Rs. 18,400 million required in six years, Rs. 10,300 million would be from internal finance. This amount is to be raised as follows: (*a*) current revenues of Central and State Governments, Rs. 4,900 million; (*b*) profits of state-owned enterprises, mainly railways, Rs. 1,800 million; (*c*) net borrowings from the public, Rs. 2,400 million, and (*d*) proceeds of Railway Depreciation Fund, Rs. 1,200 million.

These calculations take into account economies in public expenditure to the extent of Rs. 1,100 to be effected over the period and possible new forms of taxation, and also a variety of measures to stimulate domestic savings for investment in government loans.

The external finance necessary for the programme is Rs. 8,100 million. Besides, India will be receiving Rs. 2,800 million over the period of six years by release of sterling balances which may meet other requirements of the economy.

Indonesia

A five-year plan of reconstruction and development is in preparation. According to provisional estimates, the total cost of the plan will be Rupiahs 6,600 million, of which external financial requirements would be R. 3,700 million. The over-all estimates are, at this stage, to be considered as a very rough indication of the order of magnitude of the investment involved in the plan.

A more concrete but less comprehensive programme was prepared and is now in process of execution in connexion with the United States Export-Import Bank line of credit of $100 million extended in 1949. The programme, which is spread over four years, 1951-54, is to cost about R. 1,280 million distributed as follows: railways R. 272.5 million; roads R. 542 million; harbours R. 114 million; automobiles R. 158 million; aeroplanes R. 33 million; power R. 57 million; rice cultivation R. 46 million; fishery R. 49 million; and cattle breeding R. 6 million. Transport and communications projects thus account for the greater proportion of the expenditure.

Of the total estimated cost of R. 1,280 million, the estimated requirements for foreign exchange are R. 370 million, i.e., the equivalent of the $100 million extended by the Export-Import Bank. Of this sum, projects involving foreign exchange outlay of R. 182 million will be implemented by the Government, while projects involving a foreign exchange outlay of R. 188 million will be implemented by the private sector of the economy.

The requirements of internal finance for these projects are estimated at R. 900 million. It has been suggested that most of this sum might be secured from the sale of foreign exchange certificates. Under the foreign exchange certificate system, the importers are to pay three times the official foreign exchange rate, the Government thus receiving a revenue of nearly 200 per cent on the value of imports. It follows that, if the sum of R. 190 million of foreign exchange is to be sold to private parties at the above price for the import of materials and equipment for certain of the projects, the Government will be raising approximately R. 380 million in domestic currency, since it obtains its foreign exchange requirements for projects from the credit of the Export-Import Bank. The Government is expected to be able to sell an equivalent sum of foreign exchange, i.e., another R. 100 million, from other foreign exchange resources to importers. This, it is calculated, will bring in additional domestic finance of R. 360 million.

This system is attractive from the point of view of the Government. The objective behind the exchange policy is to stimulate exports so as to secure foreign exchange earnings, which will be licensed freely for financing imports at premium cost, thus raising revenue for the Government. But to what extent this can be a self-sustaining system depends mainly on the stability of the internal price level, which depends largely on the relationship between government revenue and expenditure and the comparative cost and price structures.

Table 17. Indonesia: Internal and External Cost of Projects in Connexion with United States Export-Import Bank Credit
(In million rupiahs)

Year	*Railways*	*Harbours*	*Cattle breeding*	*Motor cars*	*Air-planes*	*Rice cultivation*	*Power*	*Roads*	*Fishery*	*Total*
A. *Total estimated internal and external costs*										
1951	272.5	44.7	6.2	105.0	33.0	12.7	57.0	153.5	48.6	
1952	–	33.0	–	52.5	–	15.7	–	129.5	–	
1953	–	25.5	–	–	–	17.7	–	129.5	–	
1954	–	10.6	–	–	–	–	–	129.5	–	
Total	272.5	113.8	6.2	157.5	33.0	46.1	57.0	542.0	48.6	1,276.7
B. *Total foreign exchange cost of projects financed by the Export-Import Bank credit*										
(i) *Government sector*										
1951	86.0	12.8	1.6	16.0	–	0.7	14.5	7.8	14.1	
1952	–	9.1	–	8.0	–	1.2	–	–	–	
1953	–	6.0	–	–	–	1.7	–	–	–	
1954	–	2.3	–	–	–	–	–	–	–	181.8
Total	86.0	30.2	1.6	24.0	–	3.6	14.5	7.8	14.1	181.8
(ii) *Private sector*										
1951	–	–	–	104.0	24.6	–	8.0	–	–	136.6
1952	–	–	–	52.0	–	–	–	–	–	52.0
Total	–	–	–	156.0	24.6	–	8.0	–	–	188.6
Total Foreign Exchange costs	86.0	30.2	1.6	180.0	24.6	3.6	22.5	7.8	14.1	370.4

Source: Data supplied by Government. See ECAFE, *Mobilization of domestic capital through financial institutions of the ECAFE region* (E/CN.11/I&T/40), January 1951.

South Korea

Under the terms of its agreement with the United States Economic Co-operation Administration, the Republic of Korea prepared a five-year economic development plan providing for the rehabilitation of the existing production facilities and the development of new ones. However, no estimates of the financial requirements of the programme in terms of internal and external finance were worked out. The ECA had a three-year development programme for 1950, 1951 and 1952. It envisaged the provision by the United States Government of $150 million, $115 million and $85 million for the three years respectively. The programme for the year 1950, which was submitted by the ECA to the United States Congress, involved an expenditure of $150 million, comprising fertilizers and supplies $30.3 million, recovery projects $31.8 million, ocean freight $36.6 million, raw and semi-finished materials $27.0 million, equipment and supplies $4.5 million, technical assistance $3.9 million and survey and contracts $2.2 million. However, only the sum of $120 million had been released for the year. The ECA programme aimed at reducing South Korea's dependence on external aid by increased home production and at reducing its balance-of-payments deficit from $150 million progressively to 20 million by 1952. From September 1945 to the end of 1948 the Republic of Korea had received grants from the United States Army Military Government to the extent of nearly $409 million. This sum was spent largely on the importation of food and essential requirements, including fertilizers, etc. In addition the Foreign Liquidation Commission made a loan in 1946 of $25 million for the purchase of surplus property by the Republic of Korea, apart from the sum of $23.6 million which was paid by the United States Government as costs of occupation. In addition the Republic of Korea received $646,000 from UNRRA.

The implementation of the Republic's recovery and development programme was almost entirely dependent upon United States assistance. Although no estimates of internal financial requirements were made, it was clear that very considerable sums of local currency were required to supplement external aid. Until the outbreak of hostilities in June 1950 the most serious obstacle in regard to internal finance was the serious inflationary situation, involving mounting budget deficits and a vast increase in currency in circulation.

In the immediate future problems of repairing war damage will be confronting the Republic of Korea, and to this end the United Nations has planned to raise a sum of $250 million.

Malaya and British Borneo Territories

These territories differ widely in their state of development and th extent to which rehabilitation has been carried out. Table 18 shows th distribution of the cost of the public investment programmes of Malaya, North Borneo and Sarawak as between internal and external finance:

Table 18. Malaya and British Borneo Territories: Internal and External Cost of Public Investment, 1951-1957

(In million £)

	Federation	*Singapore*	*North Borneo*	*Sarawak*	*Total*
Internal finance......	8.7	35.3	0.9	0.9	45.8
External finance	36.1	17.5	4.3	3.5	61.4
TOTAL	44.8	52.8	5.2	4.4	107.2

Source: The Colombo Plan, p. 37.

Of the total financial requirements, placed at £107 million, over £61 million will be external finance. These territories experience difficulty in raising internal finance either by additional taxes or by loans. Tax rates have been increased considerably in the post-war years and there are limits to further increases. Nevertheless a substantial increase in tax yields has been taken into account in arriving at the estimates of internal finance which can be raised. Owing to wide variations in the prices of rubber and tin, the export duties on those commodities, which are levied on an *ad valorem* basis, yield fluctuating returns. Consequently government has taken a cautious view of the funds which can be raised locally. It will be possible to bring forward into the programme a number of additional projects if internal finances exceed current expectations. Alternatively the external financial requirements can be pruned.

Brunei has sufficient financial resources of its own, derived from oil royalties, to carry out its programme.[10]

Pakistan

Pakistan's six-year programme of development is estimated to involve a total expenditure of Rs. 3,050 million. This will consist of (1) investment by public authorities on development projects, Rs. 2,200 million; (2) private investment on development projects, notably on certain industries, Rs. 400 million; and (3) private investment outside the development programme and a certain unestimated amount of public expenditure on the resettlement of refugees, Rs. 450 million.

Table 19 indicates the details of investment over the period of 1951/52 to 1956/57:

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[10] No estimates of the financial requirement of Brunei's development programme are given in the Colombo Plan.

Table 19. Pakistan: Internal and External Cost for Investment Projects, 1951-1957

(In million rupees)

	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1951/57
Development programme	335	480	480	435	435	435	2,600
Public investment	275	400	400	375	375	375	2,200
Private investment	60	80	80	60	60	60	400
Private investment outside the programme, and resettlement expenditure	..	..	..	..	..	..	450
Total investment	..	..	..	..	..	..	3,050
Internal financial resources	220	250	270	290	320	350	1,700
Private savings	..	..	..	..	..	..	1,200
Public funds	..	..	..	..	..	..	500
External finance required	..	..	..	..	..	..	1,350

Source: The Colombo Plan, p. 28.

As will be seen from the above table, the requirements of internal finance will amount to Rs. 1,700 million and external finance Rs. 1,350 million. It is proposed to raise internal finance by private savings to the extent of Rs. 1,200 million, i.e., at an annual rate of Rs. 200 million, and through public borrowings to the extent of Rs. 500 million. These estimates of the resources which can be internally raised are stated to be well within the moderate capacity of Pakistan to mobilize. The sum of Rs. 1,350 million estimated as external financial requirements constitutes the balance-of-payments deficit which will have to be incurred to carry out the programme of development. To meet part of this estimated deficit, Pakistan intends to draw upon its sterling balances to the extent of Rs. 150 million in six years; the balance of Rs. 1,200 million external finance will have to be raised by other means.

The Philippines

More than one estimate has been made of the financial requirements of rehabilitation and development programmes in the Philippines. The figure has varied according to the scope and size of the programme. The estimates have been revised from time to time between 1945 and 1950 in the light of planning experience, and of available technical and financial resources. In 1948 the Philippine Government estimated the cost of rehabilitation and development at P.3,500 million. The general patterns of development of the economy were outlined in two reports.[11] On the basis of these reports, the Government prepared a five-year plan for the period 1949-1953 which was regarded as being more realistic and within the limits of financial and technical resources. This programme was estimated to call for a total financial outlay of P.1,730 million, of which internal financial requirements were placed at P.848 million, and external finance at P.882 million. The breakdown of the investment among the various sectors of the economy was as follows: agriculture P.420 million; manufacturing industries P.354 million; transport and communications P.459 million; public works P.279 million; housing P.125 million; mines P.65 million and other miscellaneous projects P.28 million. The programme included both public and private investments, although their relative magnitudes had not been determined.

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[11] *The Proposed Program for Industrial Rehabilitation and Development in the Philippines* (The Beyster Report) and the *Report of the Joint Philippine-American Finance Commission.*

The National Economic Council further prepared a more moderate programme in 1949, involving priorities. The projects were divided into two groups: (1) top priority projects and (2) second priority projects. Under top priority projects were: rice, corn, fishery, and other food products; sugar, abaca, maguey, ramie and other fibres; tobacco, peanuts, coconuts, livestock and products, forest products, mining, land transportation, shipping and air transportation, water-power development, small industries (nail plant, paper and pulp plants), fertilizer plants, handicrafts. Under second priority projects were: water supply, port improvements, schools, hospitals, markets, housing, commercial installations including highways, flood control and repair of damages, airports, drydock for large vessels, and jute.

The cost of the programme was estimated at P.363 million, of which P.145 million was internal finance and the balance in foreign exchange. The expenditure was distributed as follows: Basic industries P.260.5 million; consumer goods industries P.61.8 million; other industries P.30 million; and research and promotional projects P.10.7 million.

The Philippine Economic Survey Commission, appointed by the President of the Philippines to co-operate with the United States Survey Mission, submitted in August 1950 a revision of the 1948 five-year plan. The aggregate cost of the industrial utility and mining products in this programme is estimated at P.429 million, of which P.234 million represents the cost of imported equipment and materials. The programme extends to 1954.

Thailand

No over-all development plan for Thailand is ready. However, work on certain projects, notably harbour, railways, irrigation and hydro-electric power, has already commenced with the assistance of three loans made by the International Bank for Reconstruction and Development, in October 1950.[12] The three Bank loans, totalling $25.4 million, are as follows: railways $3 million; port of Bangkok $4.4 million, and irrigation and power plant $18 million. The railway and port loans are for a term of fifteen years and carry a rate of 2¾ per cent interest plus 1 per cent commission, the latter to go into the Bank's reserve fund. Amortization payments will start on 15 April 1956.

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[12] *International Financial News Survey,* International Monetary Fund, November 3, 1950. *Texts of Loan Agreements between Thailand and the International Bank for Reconstruction and Development.*

In connexion with financing economic development, the Loan Act B.E. 2494[13] was enacted in January 1951, authorizing the Government to contract loans up to a maximum of Baht 1,117.5 million, of which Baht 317.5 million would be from the International Bank and the balance from other sources, both external and internal.

INTERNAL FINANCING

Role of Governments

Governments have an important influence on the formation and mobilization of domestic capital through their budgetary and investment operations and policies. These have a direct bearing upon the magnitude and composition of national income and therefore of capital formation. Furthermore, governments mobilize a substantial amount of the necessary resources, especially in the field of agricultural development and long-term non-agricultural investment, including much industrial finance. State enterprises require the investment of substantial funds and may themselves be sources of further capital. In addition many of the most urgent and basic needs for capital investment are "social overhead costs" which must be incurred in order to permit further economic expansion. Governments must invest large sums to obtain adequate knowledge of the natural resources of the region. In most cases, railways, roads, inland waterways, port facilities and the means of communication have to be improved and expanded by governments. An enormous investment is required for education, sanitation and health. Flood control, irrigation and power generally lend themselves to governmental rather than private finance. At the same time, the low levels of income in the region limit not only the amount of savings but the manner in which they can be mobilized. For all these reasons, the role of governments and fiscal measures are a dominant factor in the mobilization of resources in the region.

In all the countries of the region there is a marked dependence on import and export duties, sales taxes, and other indirect taxes.[14] The proportion ranges from 45 to 95 per cent of total tax revenues. Although individual income and corporation taxes provide only a small proportion of the revenue, their rates are high in most countries of the region and the problem is how to devise incentives for greater savings and investments.

It appears that government is raising in revenue amounts varying from about 3 per cent of the gross national product, as in the case of India, to possibly 6 per cent in the case of Ceylon. Considering the low *per capita* income, this ratio is not too low. Improved tax collection would increase the yield from direct taxes.

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[13] *Royal Thai Government Gazette*, No. CXXI, p. 24.

[14] See *infra*, chapter XIV on "Public Finance" for a further treatment.

Holdings of the public debt by individuals are extremely small. In the Philippines, private persons, associations or corporations and unregistered holders of the bonded debt held less than 1 per cent of the total.[15] From 31 December 1948 to June 1950, about 6 per cent of the long-term internal debt of Thailand was held by individuals or corporations other than the Bank of Thailand, the Savings Bank and commercial banks. With the total internal debt relatively small, it is not surprising that the net annual funds obtained from bonds have also been extremely small in relation to total governmental expenditures. There are several reasons for the low volume of sales of government bonds. However, it seems clear that sales of government bonds to the public can be increased in nearly every country through special measures and campaigns for the purpose. Preliminary analysis of budget data indicates that owing to large current expenditures on defence, law and order and other such purposes, government contribution to capital formation is hindered. Most countries have incurred substantial budget deficits for their total activities, only a portion of which has been met by bond issues, or alternatively have drastically cut down capital expenditure in order to avoid inflationary financing.

Role of Financial Institutions[16]

The character and scale of mobilizing domestic capital other than by fiscal measures depends not only upon the adequacy of the existing institutional framework, but also upon the environmental conditions in which those institutions function. Since the end of the Second World War, a major factor which has promoted the growth of financial institutions has been the emergence of independent governments in several countries in the region. This has led directly to the establishment of central banks, agricultural and industrial finance banks, etc.

On the other hand, to a greater or less extent, every country has been the scene of civil strife or warlike operations for the greater or whole part of the period. The effects of political instability on financial institutions and the formation of domestic capital have been both direct and indirect. Directly, such conditions have rendered extremely difficult, if not impossible, the normal working of financial institutions over vast areas of the region. At least up to the end of 1949, in Burma and Indonesia and currently in the Associated States of Indochina, the restoration of pre-war banking institutions to normal working condition has been practically impossible. The result is that financial institutions are active only in the principal cities, and the vast areas of the countryside are not served by them.

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[15] See *Mobilization of Domestic Capital Through Financial Institutions of the ECAFE Region,* February 1951, p. 130.

[16] See ECAFE, *Mobilization of Domestic Capital through Financial Institutions of the ECAFE Region,* chapter VI. Also, *infra,* chapter XV on "Currency and Credit".

The indirect effects of political instability on capital formation have been equally serious. The unsettled conditions have brought about serious declines in the levels of agricultural, mineral, and industrial production, and the consequences of this are felt at all points in the economy. In many countries real savings have declined, and disinvestment has taken place on a large scale. Confidence of the people in money, currency and banking institutions has been adversely affected. Financially, the capacity to save was also considerably reduced, and this was aggravated by prevailing conditions of inflation and monetary expansion in nearly all countries of the region.

In most countries of the region commercial banking is somewhat better developed than other types of financial institutions. This was originally due to the establishment of branches of well-known foreign banks, with head offices in the metropolitan countries and branches in nearly all the countries of the region. But they concentrate mainly on foreign trade finance and are not very much interested in attracting local deposits or in financing or developing the local capital market.

In practically all countries of the region the offices of commercial banks are concentrated in the larger towns. They attract deposits from the urban people, but play only a very small part in the mobilization of the savings of the rural populations.

For the vast bulk of the people, especially in rural areas, and for small-scale industry, financial facilities are mainly in the hands of unorganized bankers and money-lenders. In some countries the unorganized bankers and money-lenders are subject to some degree of government control. Generally they work with their own funds and lend money for all sorts of purposes. In view of the importance of providing adequate credit on reasonable terms to the preponderant sectors of the economy comprising agriculture and small-scale industry, it may be desirable to extend commercial banking to rural areas and also to bring about the spread of the co-operative movement.

In most countries of the region public issue, purchase, and sale of securities are developed only to a very limited extent. In India, where it is somewhat better developed than in other countries of the region, the managing agency system has played a notable part in company promotion, the provision of finance, and the management of corporate organizations. Aside from the corporate units, other principal forms of mobilizing long-term capital are savings banks, insurance companies and long-term industrial and agricultural credit institutions. Government and government-sponsored enterprises are no doubt important institutions in mobilizing voluntary or involuntary savings and channelling them into long-term investment through their own economic activities or other institutions and special devices. In the following paragraphs the facilities for long-term mobilization and investment of savings are examined briefly.

Agricultural finance

With the exception of relatively large estates which obtain their long-term financial requirements from private sources or out of their own earnings, the great majority of small-scale agriculturists resort to money-lenders and such other sources for their requirements. In nearly every country in the region such long-term loans raised by farmers have been used for the most part for consumption rather than productive purposes. Methods adopted to deal with this problem comprise: (i) direct grants and loans by governments to agriculturists, (ii) loans and grants of government funds to special financial institutions such as land mortgage banks, and (iii) government guarantees of loans or debentures raised by others.

The guarantees are of special interest as they may include new savings. Ceylon and India have used this device to a limited extent. Co-operative institutions (land mortgage banks) are a principal means for the provision of additional long-term agricultural credit.

In Burma, government loans to agriculturists are playing an important part. In Ceylon there are two specially organized corporations for long-term agricultural credit. The Agricultural and Industrial Credit Corporation, established in 1943, makes agricultural loans on the security of a primary mortgage of movable or immovable property out of funds borrowed from the Treasury. The State Mortgage Bank, established in 1932, raises funds by sale of government guaranteed debentures, and lends money at rates of 4 to 5½ per cent.

In India long-term agricultural credit is provided by the primary land mortgage banks. These are financed by the central land mortgage banks in some provinces and by the provincial co-operative banks in others. In 1947/48 there were only five central land mortgage banks, having a membership roughly of 7,000. Their working capital amounted to Rs. 52 million, of which Rs. 43 million was raised through the issue of debentures. The latter are usually guaranteed by the provincial governments concerned, both as regards principal and interest. As a result of this guarantee and the other support provided by the provincial governments, some of the banks were able to raise funds at very low rates of interest. The deposits attracted by them were, however, small and amounted to Rs. 4 million only. Their loans outstanding amounted to Rs. 39 million, which represents the financial assistance provided by them to the primary land mortgage banks. In 1947/48 there were 260 primary land mortgage banks in the country, having a membership of 150,000. Their working capital amounted to Rs. 44 million, of which Rs. 38 million was accounted for by borrowings, presumably from the central financing agencies. At the end of the year their loans outstanding amounted to Rs. 40 million.

In Malaya the Planters' Loans Fund was created in 1905 with a capital of M$ 4 million placed at its disposal by the Government. Its activities are limited to the Federated States. The Fund is administered by a Board consisting of two officials and three non-officials. The Board is authorized to grant loans for such purposes as reclamation, maintenance of immature clearings, construction of buildings, and purchase of plant and equipment. The Board did not finance small-holders. The majority of the loans granted have been at 6 per cent per annum. A government committee, appointed in 1948, recommended the establishment of a land mortgage bank, covering the whole area of the Federation, to provide long-term finance to agriculture, since the Planters' Fund was not able to meet all requirements adequately. No action has so far been taken on this proposal.

In Pakistan there are sixteen land mortgage banks having a membership of 8,000, with paid-up capital and surplus of Rs. 1.3 million, and working capital of Rs. 4.4 million. These facilities are admittedly inadequate. With a view to remedying this inadequacy, the Government has proposed to establish an Agricultural Development Finance Corporation with an authorized capital of Rs. 50 million, of which Rs. 20 million will be paid up in the first instance. The Government will retain 51 per cent of the shares and has made a provision of Rs. 10.2 million in the 1951/52 budget for the purpose. In Burma before the Second World War, the Dawson's Bank was effective in providing long-term private agricultural credit. However, the available organizational facilities in the region are manifestly not adequate, only meeting to some extent the requirements of the larger agriculturists. Government finance has played a considerable part in providing the working capital of existing institutions for long-term rural credit.

Industrial finance

There is a great scarcity of specialized private institutions for the provision of long-term finance for industry. Private capital has not found this field attractive, partly because of the greater risks than in commercial banking and the vast complex of other factors affecting domestic capital, and partly because of the lower rates of return. Recently governments in some countries of the region have tried to fill this gap by the establishment of special institutions or by other means. Three methods deserve mention: (1) direct investment of funds by governments for specific industrial development; in India, Pakistan and Thailand for example, this approach has been made; governments subscribing a part of the capital and inviting enterprise to subscribe the balance; (2) the establishment of special corporations financed wholly or in part by government to provide funds for long-term industrial development; the industrial finance corporations of India and Pakistan, the rehabilitation finance corporations and several trading and business corporations and enterprises of the Government in the Philippines, and the Planters' Loan Fund in Malaya are interesting examples of this type of action; (3) the use of government financial guarantees to attract funds for investment.

The Industrial Finance Corporation of India extended loans amounting to Rs. 34.2 million in 1948 and Rs. 37.7 million in 1949. Two provincial governments in India have set up similar industrial finance corporations. Part of the capital of these institutions is subscribed by the central government, or the provincial governments concerned. The Pakistan Industrial Corporation is similar to the Indian Corporation, and 50 per cent of its capital is subscribed by government. This corporation has been authorized to finance private enterprises and up to February 1951, it had made loans outstanding at Rs. 12 million. In the Philippines, the Rehabilitation Finance Corporation has financed industries on a fairly large scale. The experience of Malaya is of particular interest. Long-term finance was required for the post-war rehabilitation of tin mining and rubber estates. The Government granted loans in the form of advances against war damage compensation claims for carrying out approved rehabilitation projects on mines. Such loans were made at 3 per cent per annum, and loans outstanding after the payment of the compensation are repayable in instalments over ten to fifteen years. Up to the end of 1949, a total sum of M$ 50 million had been loaned involving sixty-nine applications; this indicates large individual loans. The Chinese tin mines of small size were provided with financial accommodation by the Government through the machinery of the Chinese Tin Miners' Rehabilitation Loans Board specially instituted for the purpose. Such loans were also made against claims for war damage compensation and amounted to M$ 85 million involving 363 mines. In addition the Government set up another institution, the Industrial Rehabilitation Finance Board, which was authorized to provide financial assistance to industrial undertakings for rehabilitation. By definition industrial undertakings were taken to include plantations and estates. The Board is a government institution and is under complete government control. It provides financial assistance by guaranteeing loans made by banks at the request of the Board to approved borrowers. The total amount guaranteed by the Board at any one time is not to exceed M$ 75 million and interest. All sums which the Board may become liable to pay on account of the guarantee are to be charged on the revenues of the government. By the end of 1949 the Board had guaranteed loans of a total value of M$ 18 million. Thus the Government, by playing an active part in financing, has achieved striking results in rehabilitation in Malaya.

In the Philippines the operations of the government enterprises, numbering thirty-four, have an important place in financing economic development. Excluding the Philippine National Bank, these enterprises have total assets of nearly P.800 million. Between June 1945 and June 1950 their capital resources were increased by P.288 million. This increase came from three sources: subscription of capital or loans by the Government, direct borrowings by the corporations and enterprises, and increase in their surplus and undistributed profits. Of the P.288 million, government loans and subscriptions amounted to P.208 million, and P.80 million was raised from other sources, largely from the Central Bank and the government-owned Philippine National Bank. The capital of the Rehabilitation Finance Corporation was increased by P.113 million during the period.

The Rehabilitation Finance Corporation (RFC) is the principal government agency for development financing. It started its operations on 2 January 1947 with an authorized capital of P.300 million, wholly subscribed by the Government. In addition to its capital the Corporation is authorized to issue its own bonds up to 100 per cent of its capital and surplus. In addition the RFC is entrusted with trust funds which on 30 April 1950 amounted to P.92 million. It has so far sold P.57 million of its own bonds, the greater part of it to the Central Bank. The principal trust funds are government service insurance funds and postal savings funds. The loans of the Corporation are intended for purposes of rehabilitation and development for periods usually of ten years at a rate of interest of 4 per cent. During the period from 2 January 1947 to 30 June 1950 the Corporation received loan applications for a total amount of P.545 million. Out of these, 17,625 applications were approved to the amount of P.311 million, distributed as follows:[17]

	Number	*Amount (P. million)*
Agricultural loans	7,170	46.7
Industrial loans	385	93.5
Real estate loans	9,950	149.1
Government loans for self-liquidating projects	109	10.6
Loans on landed estates	7	9.7
Rehabilitation of building and loan associations	4	1.4
TOTAL	17,625	311.0

In the early stages of its working, the Corporation made a large proportion of its loans to real estate and construction, but is now devoting greater attention to agricultural projects.

Notwithstanding the institutions described above, the facilities for long-term industrial financing in the region are quite limited. For cottage and small-scale industries these credit facilities are as a rule not available, and in view of the important place held by them in the economy of the countries of the region, the need for special measures for meeting their financial needs is indicated.

Savings banks

In practically every country of the region, postal savings and commercial banks are the most wide-spread institutions for mobilizing savings on a voluntary basis. The postal savings institutions are designed primarily to encourage thrift among middle and low income groups and to provide funds for the Government.

The actual number of postal savings offices available for mobilization of resources is greater than for any other institution, with the exception of primary co-operative societies.

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[17] "Programme and Accomplishment of the Rehabilitation Finance Corporation", *Philippine Rehabilitation Journal*, pp. 67 to 70, August 1950.

In Burma there are 381, slightly fewer than in 1939. In Malaya there are about 200. In India there were about 9,100 savings bank offices on 31 March 1949. Of these about 6,400 were in rural areas, covering about 40 per cent of villages each with a population of 2,000 or more. By 1949 there were 478 offices in Indonesia as compared with 206 in 1947 and 680 offices in 1940. Korea has had an unusual development of postal savings with over 8 million deposits in 1942 and in excess of 7 million in South Korea in September 1949. Ceylon has about 1,100 offices. In Pakistan there were nearly 2,200 offices by 31 May 1950. In Thailand, in April 1950, there were 141 offices of the Government Savings Bank, of which fifty-nine were postal agencies.

However, except in Ceylon, India and Korea, the coverage does not appear to have been large. Although there were over 7 million accounts in South Korea, about 1,400,000 in Ceylon and about 3,000,000 in India, there were only 390,000 in the Philippines, 721,000 in Thailand and only 48,000 in Burma. In the single savings bank of the Associated States of Indochina, there were 19,000 depositors in 1948.

Examination of the working of these institutions in the countries of the region indicates that while they constitute the principal machinery for tapping the savings of the rural population, a considerable expansion in the number of offices and an improvement in the services offered to the depositors, including an increase in the amount of interest paid in certain cases, are desirable, accompanied by a wide-spread educational campaign for voluntary savings and bond investments.

Insurance companies

While foreign companies generally have branches in all the countries of the region, a recent tendency has been for more domestic insurance firms to be formed. Domestic companies are also found to be doing an increasing amount of business, especially in India, Pakistan, the Philippines, and Thailand. However, except in Ceylon, India, and possibly in Singapore and Hong Kong, the amounts collected for life insurance premia seem to be relatively small in most countries. For India the amount collected was Rs. 333 million for 1948; in Burma it was about Rs. 19 million in 1947. In the Associated States of Indochina it was about 600,000 piastres in 1948. In Korea there were only 57,000 life insurance policies in force in June 1949. In the Philippines life insurance companies had legal reserves of about P.56 million in 1948, with some 110,000 policies. In Pakistan about 15,000 life insurance policies were written in 1948, involving premium income of Rs. 7 million.

The resources of the insurance companies are invested in part in government securities. In India the statutory ratio is 55 per cent to be so invested. The investments of insurance companies in joint stock shares have been small. In Pakistan the position is more or less the same. In the Philippines, according to legislation effective from June 1950, foreign insurance companies are required to keep and invest in the Philippines at least 10 per cent of their legal reserves for policies in the Philippines during the first year, and 20 and 30 per cent in successive years. In most countries of the region insurance is limited to urban areas. In Thailand the Government Savings Bank extends insurance facilities, but these are not extensively used. There is no doubt that there is scope for the spread of the insurance habit among the peoples of the ECAFE region and consideration in this connexion may be given to the possibility of establishing additional insurance companies and utilizing the postal savings banks and co-operative banks for the sale of insurance policies.

External Financing

Relation of Internal to External Finance

The ratio of internal and external financial requirements varies from one country to another and is influenced by a number of factors. To begin with, the degree to which a country can obtain locally the necessary materials and equipment for the execution of development plans, indicates in some measure the limits of external requirements. Furthermore the ratios of internal and external financial means are influenced by the pattern of development envisaged in the programme, and in particular by the character of the specific projects planned. A project involving a high ratio of expenditure on capital equipment, especially of imported goods, will call for a larger ratio of external finance than one which involves a large proportion of local expenditure on labour and materials. An analysis of available data would reveal that on account of these factors the ratio of external capital varies from one country to another for nearly the same project. Aside from the imports required for the execution of the development plans, it has been estimated that additional imports of consumer goods and materials are necessary in order to maintain existing levels of production or consumption in sectors of the economy or to combat inflation during the implementation of plans involving larger-scale expenditure. In such cases the size of external financial requirements is likely to be greater than the value of imports needed only for the implementation of specific projects. The following figures from the Colombo Plan illustrate this situation:

Table 20. Colombo Plan: Total Cost, Cost of Capital Imports, and Total External Capital Requirements

(In million £)

	India	*Pakistan*	*Ceylon*	*Malaya and British Borneo*	*Total*
Total cost of the development programme[a]	1,379	280	102	107	1,868
Total cost of capital goods imported for the programme	237	115	39	20	411
External finance needed					
From sterling balances	211	16	19	–	246
From other sources	607	129	41	61	839
Total external finance needed	818	145	60	61	1,084

[a] The internal finance available for the programmes, on the assumption that external finance is forthcoming, would be: India, £772 million, Pakistan, £151 million, Ceylon, £61 million, Malaya and British Borneo, £46 million.

Another important factor influencing the size of external financial needs is the adequacy and effectiveness of the national financial institutions and techiques available for raising domestic funds. In the case of Malaya and British Borneo, for instance, a large part of the foreign exchange requirement is due to shortcomings of this kind. The programme could be enlarged so as to include more projects, or the need for external funds reduced, if more sums could be raised locally. Similar considerations enter into the calculation for Ceylon, India and Pakistan as well, and the internal financial estimates of these countries have been set with due consideration of possible inflation and of fiscal limitations. In Indonesia, where recurrent inflation and budget deficits have severely limited the internal mobilization of capital, this is indeed a serious problem.

Available data on the flow of foreign capital cover only inadequately some countries of the ECAFE region.[18] Generally speaking most countries in the region were debtor countries before the war, earning an annual positive balance of trade with which to make remittances of profits and interest. The inflow of foreign capital into the countries of the region before the war was neither continuous nor steady. There were drastic changes in capital movements, linked with the phases of the business cycle and with changing political and economic conditions. Especially since the economic depression of 1930 and the financial crisis of 1931, which marked the disruption of the international payments mechanism, nearly all the countries in the ECAFE region were confronted with severe balance-of-payments difficulties caused by the disastrous fall in the prices of primary products and a simultaneous decline in the capital influx. Since the end of the Second World War private foreign investments have declined further while inter-governmental loans, credits and grants, together with sterling releases, have acquired a predominant place in the flow of funds into the region. An important exception is the Federation of Malaya and the British Borneo territories, which have received private foreign capital on a significant scale since the end of the war.

External Governmental Loans and Aid[19]

Significant features in external financing during 1950 were: (i) continuation of the United States Economic Co-operation Administration programme, (ii) the flow of funds under the United States Point Four technical assistance programme, (iii) loans by the International Bank for Reconstruction and Development, (iv) continuation of release of sterling balances by the United Kingdom for Ceylon, India and Pakistan, and (v) the inauguration of the Commonwealth Council for Technical Co-operation, providing funds for technical assistance.

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[18] These aspects were treated in several publications issued by the League of Nations before the Second World War. For a recent study of the subject see *International Capital Movements during the Inter-War Period,* United Nations, Department of Economic Affairs, New York, October 1949.

[19] See *Economic Survey of Asia and the Far East 1949,* chapter XVII on "External Aid and Investment" for detailed statements on the flow of external funds into the region during 1945-1949.

During the year Burma, Thailand, the Associated States of Indochina, Indonesia, and Thailand received assistance under the ECA programme. Funds appropriated by the United States under the China Area Aid Act amounted approximately to $98 million for the fiscal year ending June 1951: $40 million for Taiwan, $8 million for relief to China through the American Red Cross or other voluntary relief agencies, $6 million for the training of Chinese students and teachers in the United States, and $44 million to be used to initiate the ECA programme "in the general area of China" (the countries of southeast Asia). Besides, additional funds from the United States Government were made available to many countries of the region under the Point Four technical assistance programme as a result of the Griffin Mission.

Under the programmes Burma received $10.4 million for the fiscal year 1951 to be used for the import of cotton yarn, cotton and medical supplies which were in short supply and to carry out projects relating to inland water transport, flood control and irrigation, rice mills and storage, public works and technical assistance in all these fields as well as in economic and technical, social and administrative planning. Taiwan received $30 million for financing imports mainly of industrial raw materials from hard-currency areas and $10 million for industrial and transport projects. For the Associated States of Indochina the sum of $21.4 million was programmed to be spent on various economic and social projects including public health and technical assistance and on the import of essential commodities such as raw cotton, yarn, medicines, etc. Thailand received a grant of $9.4 million under ECA to be spent on public health, agriculture, transport and power. Indonesia has so far received a total of $132 million under the ECA programme, of which $40 million was received during the year 1950. Under the Point Four technical assistance programme

Table 21. Aid from the United States Government under ECA/Point Four Programmes during the Fiscal Year ending in June 1951

Country	*Amount ($ million)*
Burma	10.4
Ceylon	..
China (Taiwan only)	40
India	1.2 - 2.0
Indochina	21.4[a]
Indonesia	13[b]
Pakistan	
Thailand	9.4

Source: United States Government Economic Co-operation Administration Division of Statistics and Reports, Far East Program Division, *The role of ECA in South-East Asia*, January 1951.

[a] $6.2 million committed by 31 December 1950.

[b] This is under the Point Four Programme. Under the ECA programme Indonesia received in all $132 million, of which $40 million was received during 1950.

Indonesia is to receive $13 million during the year ending 30 June 1951. Ceylon and India have entered into the Point Four agreements with the United States. India is to get a sum ranging between $1.2 million and $2 million under the programme over a period of three years.

Table 21 illustrates the scale of assistance.

The International Bank for Reconstruction and Development has made three loans to India and three loans to Thailand, involving totals of respectively $62.5 million and $25.4 million. India had used up one loan for its railway rehabilitation project, and had also drawn on the other two loans, while Thailand, whose loan agreements were concluded in October 1950, started drawing on the loans during 1951.

Table 22. Loans by the International Bank for Reconstruction and Development

	Date of loan agreement	*Amount*	*Amount disbursed*
		(In $ million)	
India			
Railway rehabilitation.......	August 1949	34.0	32.8 (June 1950)
Agricultural machinery......	September 1949	10.0	3.2 (June 1950)
Electric power development..	April 1950	18.5	–
Thailand			
Railway rehabilitation.......	October 1950	3.0	Some amounts disbursed in the first quarter of 1951
Port of Bangkok Improvement	October 1950	4.4	
Irrigation and power........	October 1950	18.0	

Source: International Bank for Reconstruction and Development, *Fifth Annual Report 1949/50,* Appendix C; also the texts of the Bank's loan agreement with India and Thailand.

Under the extension of earlier agreements or new ones negotiated during the year, the United Kingdom continued to release sterling balances to Ceylon, India and Pakistan. It is estimated that Ceylon will be drawing to the extent of £21 million over the six-year period ending in June 1957. India, which drew £100 million in 1949/50 and £50 million in 1950/51, is to receive £35 million in 1951/52, and a similar sum in each year from 1952/53 to 1956/57. During the year 1950/51, Pakistan would draw a sum of £15 million and a further sum of £2.5 million for the purpose of meeting its exceptional requirements of foreign exchange arising from the trade deadlock with India. Pakistan has the right to ask for a revision of this provision if it is not found possible to make arrangements for the free flow of trade with India. This special provision was necessitated because of the non-receipt by Pakistan of sterling from India under the payments agreement between the two countries. According to the Colombo Plan, Pakistan expects to draw to the extent of Rs. 150 million on its sterling balances during the six-year period 1951/52 to 1956/57.

Table 23. Release of Sterling Balances by the United Kingdom

	£ million	
Ceylon	7[a]	1949/50
	..	1950/51
India	81	1948/49
	50	1949/50
	50	Additional release in 1949/50 to cover imports.
	50	June 1950 - June 1951
	35	1951/52
	35	1952/53
Pakistan	10[b]	1948/49
	17[c]	1949/50
	17.5	1950/51

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[a] Subject to the contingent additional release of £1 million to meet the additional cost of food imports.

[b] Excluding an addition of £2 million to the working balance.

[c] Excluding a contingent sum to be made available to meet the cost of food grain import.

An important new development during the year is the establishment by the Commonwealth Governments — Australia, Canada, Ceylon, India, New Zealand, Pakistan and the United Kingdom — of the Council for Technical Co-operation in South and South-East Asia, providing a fund of £8 million for the provision of technical assistance to the countries of south and southeast Asia over a period of three years commencing July 1950. Disbursements under this programme have already started.

Conditions of Private Foreign Investment

The six-year development programmes of the Commonwealth countries described in earlier sections, it has been noted, comprise investments by the public authorities because they involve basic economic development on a large scale in the fields of irrigation, power, communications, railways, roads and social services, which are normally the responsibility of governments. Likewise in the programmes of Burma, Indonesia, the Philippines and Thailand there are varying degrees of public investment on similar projects. Private enterprise normally does not undertake work in such basic fields. Furthermore, the scale of investment required for such projects is far beyond the resources of the private investor in the domestic market. This explains why governments take upon themselves the responsibility for certain basic fields of development. This does not imply, however, that there is no scope for private investment. As already noted, in India private investment is expected to rise by 60 per cent in the course of six years. With the implementation of the development programmes and the resultant increase in national income savings there will be increasing scope for private investment in other fields of economic activity, notably industry and commerce. The best progress will then be achieved by creating favourable conditions for private investment.

In India the possibility of making conditions of investment more attractive to foreign investors is under continuous examination by the Government. The latter's power with respect to the admission of new foreign enterprises is for the most part exercised only with a view to preventing over-investment in certain crowded sectors of the economy. The control of capital issues applies only to joint-stock companies with a capital of over Rs. 500,000 (£37,500) — a substantial figure considering the scale of investments in India. Only a few specified industries like the manufacture of munitions are reserved for the Government in semi-public corporations. The full current earnings of all foreign enterprises may be freely remitted abroad under the existing exchange control regulations. The Government has decided that investment from hard currency areas shall be treated in much the same way as investment from the sterling area, and investors from these areas are allowed to repatriate in full not only the original capital invested in approved projects after January 1950, but also any profits which may have been ploughed back into the business. To stimulate domestic and foreign private investment a number of concessions have been made involving tax relief and liberal depreciation allowances.

In Ceylon the government programme does not provide for the financing of the three principal export industries of the country — rubber, tea, and coconut products. The production of these commodities is carred on by private enterprises both foreign and domestic. The tea plantations are mainly owned by foreign interests, but 60 per cent of the rubber and practically all the coconut estates are owned by Ceylonese. In these large fields private enterprise will have abundant scope.

In Malaya and the British Borneo territories, the six-year development programmes involve considerable public outlay, but as in Ceylon, they are mainly in certain basic services. A large part of the economy, consisting of the plantations, mines, manufacture and commerce, is left entirely to private enterprise. In these territories private foreign enterprise has played a notable part in rehabilitation since the end of World War II and is likely to continue to do so. In Pakistan also, private foreign investment is welcomed. It is regarded as in the national interest, however, that the nationals of Pakistan should be given the option of subscribing to a proportion of the basic industries established by foreign enterprises. In thirteen basic industries the proportion is 51 per cent; in others it is 30 per cent.

The policy of the Government of Indonesia regarding foreign capital needed in many fields was set out by the Prime Minister in a statement to the Parliament, in which it was further said that the Government should study these fields in which foreign capital was required and determine definite terms of participation. The Government was prepared to guarantee fair terms for the foreign investor. Existing foreign enterprises would be urged to provide adequate opportunities for Indonesian personnel to obtain training up to the top ranks and also for Indonesian capital to participate.

In Thailand, government policy favours foreign investment:[20]

> "The Thai Government welcome foreigners who wish to make investments in Thailand, and will give them such rights and protection as are enjoyed by those foreigners who have already invested in Thailand or by the Thai people themselves. However, certain minor occupations have been reserved by law for the Thai people.
>
> "In certain businesses or industries opportunity is afforded to the foreigners to become sole investors, for instance in the mining industries in the non-reserved or open areas. They are required only to conform to the formalities and regulations necessary for the granting of concessions and supervision of such enterprises.
>
> "In certain businesses and industries the Government may participate as partners or shareholders if they think fit, and the details as to the percentage of the shares for each contracting party and the composition of staff will be mutually agreed upon. It is also the policy of the Government to encourage joint participation between foreign investors and private Thai individuals."

The policy of the Philippines in respect of foreign investments is indicated in certain articles of the Philippine Constitution and the Parity Amendment, adopted in September 1946, under which citizens of the United States are accorded the same rights and privileges as Philippine nationals.[21] American investors have long been prominent in the industrial and agricultural enterprises of the Philippines and have taken a very considerable part in post-war reconstruction. However, certain major obstacles to the inflow of foreign capital into the Philippines have recently emerged. According to the Report by the United States Economic Survey Mission to the Philippines, "In too many instances, particularly in connection with import controls, restrictions have been placed on foreign firms which can have no economic justifications. A second obstacle to foreign investment is the existence of exchange controls. There is a fear that if capital is committed for investment in the country, it may be difficult to secure the remittance of profits and the amortization of investment. A clear-cut and consistent policy on the part of the Central Bank would be especially helpful in dispelling this fear. A third obstacle to foreign investment is political and financial uncertainty. Peace and order must be restored."[22] The report concludes that foreign capital from private sources, which was likely to be primarily for direct investment, would not amount to very much in the near future, and that financial resources would have to be provided by the United States Government on a significant scale for meeting the requirements of the Philippines' economic development.

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[20] See *Foreign Investment Laws and Regulations of the Countries of Asia and the Far East,* Department of Economic Affairs, United Nations, pp. 67-73.

[21] *Ibid,* pp. 71-81.

[22] *Report to the President of the United States by the Economic Survey Mission to the Philippines,* Washington, 9 October 1950.

The principal deterrent to the inflow of foreign capital to the region has been the lack of political stability in many countries. From the foreign investor's point of view, conditions in Burma, Hong Kong, India, Indochina, Indonesia, Malaya and Pakistan are not conducive to the inflow of foreign capital. In addition, the post-war rates of taxation prevalent in the region appear excessive to foreign investors who, in pre-war days, enjoyed many privileges; such high rates tend to weaken their readiness to assume the risk of placing their capital in these countries. In some countries the laws and regulation on foreign investment restrict the scope for investment. Among other factors affecting foreign investments are the fear of expropriation without proper compensation and uncertainty about the availability of foreign exchange for the remittance of profits and for the repatriation of capital.

There appears to be no dearth of investment opportunities in the countries of the ECAFE region, judging by factors such as profitability, supply of power and raw materials, transport facilities, and labour efficiency. Those factors relate to the basic facilities requisite for industrial development. However, it does not follow that, because there is a vast field for development, specific projects ready for execution are on hand. On the contrary, it is recognized that the preparation of projects to the point of execution requires both financial and technical assistance for many countries of the region. For any private foreign investor, political stability is, of course, an extremely important factor to be reckoned with.

CHAPTER VI

Planning for Economic Development

INCREASING ROLE OF THE STATE IN ECONOMIC ACTIVITIES[1]

In recent economic development plans of the countries in the region, increasing attention has been given to basic development in agriculture, transport and power. Reconstruction or rehabilitation and new development of a basic character require vast capital outlay, and can be sufficiently remunerative only over a long period. As a result, the State has been called upon to assume large responsibilities and to take the initiative in basic economic development. Even where the ultimate intention is to hand over certain industries to private enterprise, the initial process of promoting, financing and operating has been deliberately undertaken by the State.

The increasing role of the State in the economic activities of countries of the region is indicated by the preponderance of government capital outlay, as distinct from private capital outlay, in their economic development programmes. In Burma, the estimated government expenditure under the National Development Fund (aggregating Rs. 315 million) in 1948-1951 represents practically all the investment for development in that field. In Ceylon, under the Six-Year Plan, the development expenditure by government amounts to an aggregate of Rs. 1,360 million. The draft six-year plans for the Federation of Malaya, Singapore, North Borneo and Sarawak include a capital expenditure by government totalling £107.2 million. Nepal's public expenditure in the first five-year programme is estimated to be some Rs. 90 million. In India, the proposed government capital outlay during 1951-1957 is of the order of Rs. 3,070 million per year, compared with which private investment is estimated to be of the order of Rs. 1,600 million per year in the early stages, rising progressively to an annual rate of Rs. 2,600 million by the end of the six-year period. In Pakistan, out of Rs. 3,050 million estimated expenditure in capital outlay during 1951-1957, government will contribute about 80 per cent and private enterprise about 20 per cent.

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[1] See *supra*, section on "Magnitude of financial requirements and possible sources of supply" in chapter V on "Financing of Economic Development".

Protection and Encouragement of Private Enterprise

The official plans are generally designed to serve the primary purpose of indicating the possibilities of development of various enterprises. In India, Pakistan and the Philippines, goals or targets of production or capacity have been set out in the respective plans. The State will encourage, facilitate, assist or undertake measures to achieve these goals.

In order to promote development of industries in fields not yet entered by private enterprise or to encourage private enterprise to venture into new fields, governments often take the initiative in installing a few units or participate with private enterprise in the establishment of such units. The Government of Pakistan has set up jute, textile and sugar factories through investments by the Industrial Finance Corporation. The Government of India has established a fertilizer plant and is in process of establishing other industries, such as machine tools, telephones, chemical industries and a penicillin factory. An Industrial Finance Corporation has been set up by the Central Government and similar corporations have been set up by many state governments. In Thailand a proposal for establishing an Industrial Bank has recently been adopted. In Burma, the Government has established a textile factory. In Indonesia a few units, including textiles and paper, have been established by the Government. In the Philippines, a wide group of industries were established by the Government through the National Development Company and its subsidiaries.

In addition, tax concessions, such as exemptions from income tax in the first few years of the establishment of a new industry, and higher depreciation allowances on machinery and capital goods, have been granted to new industries in India and Pakistan. In almost all countries, governments generally provide assistance in the allocation of foreign exchange resources for the import of machinery, capital goods and essential supplies. Trade agreements of India, Pakistan and Burma reveal their general desire to assure supply of capital goods and other materials. In most countries, the government assists private enterprise in obtaining technical assistance. In India and Pakistan, government purchases of stores and other supplies give preference to goods produced in the country. Governments are also providing increasing services to industry through expansion or establishment of directorates of industries, geological surveys, investigation of resources and possibilities of utilizing them, research and laboratory facilities, training institutes and marketing publicity.

The principle of giving tariff protection[2] for industrial development has been recognized in many countries, although the methods and procedure have been worked out only in a few countries. In India (which then included Burma and Pakistan) since 1923, the policy of protection has enabled a few big industries like steel, sugar, paper, cotton textiles and matches to establish themselves firmly. It has also facilitated the establishment of a number of new industries such as engineering, chemicals, etc. Since the end of the Second World War, the pre-war "discriminatory protection" has been liberalized particularly with a view to providing adequate protection to the industries which came into being during the war. The present tariff policy of the Government is designed to prevent unfair foreign competition and promote utilization of India's resources without imposing unjustifiable burdens on consumers. An Interim Tariff Board was constituted in November 1945 to investigate the claims for protection of (i) industries started or developed during wartime, (ii) industries which helped to sustain the national economy during the war and (iii) other industries considered suitable for examination. This Interim Tariff Board has now been transformed into a permanent Tariff Board. Tariff protection has been recommended for some thirty-eight industries and continuation of protection for twenty-two industries. A few of the important industries which were recently granted protection are aluminium, antimony and non-ferrous metals, caustic soda, bleaching powder and soda ash, textile machinery, bicycles, electric motors, artificial silk, alloys, steel and special steels, batteries, abrasives, and sewing machines. In some cases, e.g., soda ash, glass and glassware and plastics, existing revenue duties were converted into protective duties.

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[2] See *infra,* section on "Tariff policies" in chapter XI on "Commercial Policies".

The Government of Pakistan, in its statement on industrial policy (April 1948), assured favourable consideration of a reasonable measure of protection for industries established in the country. In January 1950, the Government set up a Tariff Commission to investigate the claims for protection of the various industries and to recommend protective measures. Already a number of industries, e.g., footwear, grinding wheels, leather, plastics, hurricane lanterns, steel re-rolling, glassware, motor and cycle pumps, and paints and varnishes, have applied to the Tariff Commission for protection. The Central Government has also referred a few industries to the Tariff Commission for investigation.

In China, the Common Programme announced by the People's Political Consultative Conference indicated that "control of foreign trade shall be enforced and the policy of protective trade shall be adopted". In the Philippines, the setting up of a Tariff Commission is recommended by a special committee of the Department of Commerce, particularly in view of the fact that the special trade agreement with the United States will end in 1954, when it may be reviewed. In Thailand, protection is extended to a few industries, e.g., tobacco, through a combination of import duties and government monopoly of imports.

In addition, to safeguard their respective balances of payments, almost all countries of the region have controls, especially over non-essential imports, which incidentally offer a measure of protection to the local industires.[3] In the Philippines and Thailand, non-essential imports are limited by quotas, while in other countries of the region, imports of many non-essential items are virtually prohibited. The proposal made by the Bell Mission to the Philippines to enhance import duties on many non-essential imports may have a further protective effect. In Burma, the Industrial Development Committee suggested restriction of the import of consumer goods and stimulation of export of domestic goods to countries which can supply the machinery and raw materials which Burma needs. In spite of present restrictions on imports of cotton textiles, some measure of tariff protection may be necessary for Burma's newly established cotton mill, particularly if additional capacity is developed. The Customs Administration Enquiry Committee, set up in 1949, is examining the question of tariffs, and opinion is currently being sought as to the criteria for protectionist policy. In Ceylon, it is regarded as highly desirable for local industries to supply, as far as possible, the goods which are now imported, and restriction of imports by protective tariffs or quotas is considered necessary.

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[3] See *infra,* section on "Import controls" in chapter XI on "Commercial policies".

Direction and Control over Investment and Production

The preponderance of government capital outlay over private capital outlay in the national development plans of the region is in itself a major means of directing and controlling investment and, through it, production and employment. In almost all countries of the region, public finance is the most important, and powerful, instrument available for directing the flow of capital, commodities and labour into desired channels. Budgetary policy sets the climate in which the private sector generally operates. The public borrowing programme, designed on the one hand to supplement government revenues for development and on the other to withdraw purchasing power created by government expenditure itself, has an indirect though quite significant influence on investment in the private sector. This is particularly true in India, Pakistan and Ceylon, where public borrowing has long been a normal feature of the money market and has been resorted to for financing government's development expenditure. Private investment is also influenced or promoted by monetary and fiscal policies.[4]

Several governments of the region have enforced the system of licensing or registering factories or corporations to suit the requirements of planned development. In China, controls have been extensively used to influence the development of private industries. In India, the control over capital issues,[5] in force since May 1943, was designed as a vital anti-inflationary measure at a time when speculative activity in the capital market and profit inflation were almost at their peak. After the war, the control was maintained with the object of securing a balanced investment of the country's resources in industry, agriculture and social services. It has, however, been admitted that this control operated only in a negative way, preventing direction of funds to certain undesirable purposes. In spite of its negative character, the control over capital issues has succeeded in channelling investment into schemes which are considered important in the context of the economic development plans, a majority of them being related to industrial ventures.

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[4] See *supra,* section on "Role of governments" in chapter V on "Financing of Economic Development".

[5] See *supra,* section on "Conditions of private foreign investment" in chapter V on "Financing of economic development".

In the Philippines, some idea of the scale of post-war rehabilitation of production is given by the fact that from 1946 to the end of 1949, approximately P.4 billion of new investment was made in all sectors of the economy. However, while the amount of post-war investment has been very large, ranging from 20 to 25 per cent of the gross national product, a major part was not directly related to increasing production in agriculture and industry. The *Report to the President of the United States by the Economic Survey Mission to the Philippines,* published 9 October 1950, states that "government investment for agricultural and industrial purposes was generally costly and ineffective". To a large extent this has been due to absence of any control or regulation of investment, particularly in the private sector.

In India and Pakistan, industrial finance corporations, in providing initial financial assistance to the private sector, also serve to direct private capital into ventures considered desirable by governments. For example, in Pakistan, under the Industrial Development Corporation Act, six specific industries, viz., jute, paper, heavy engineering, shipbuilding, heavy chemicals and fertilizer, are designated for development.

In India, controls have been imposed on the production and distribution of essential materials and services. The requirements for coal, electricity, transport, steel, cement and building materials are estimated in terms of what is likely to be needed in future to meet the demands of an expanding economy. The requirements for new enterprises are assessed and allotments made in terms of definite projects likely to come into being through the machinery of Development Committees of the Ministry of Industry and Supply. Government influence is also being brought to bear on increasing the production of particular items with a view to facilitating implementation of the over-all development programme. Thus, on the basis of periodic reviews of production and available capacity, special efforts are made by the Government to induce maximum production and building up of larger capacities in particular industries, e.g., cement and refractories. Above all, production is controlled in respect of those industries where the raw material situation is difficult. Thus, during and since the war, the cotton textile, jute and sugar industries have been subject to government control in regard to quantity of production, consumption of raw materials and number of shifts.

On account of the abundance of labour supply, no country in the region with the possible exception of China has so far visualized any positive direction or control over employment, except through the regulation of wages and conditions of work.[6]

Nationalization

Only a few countries in the region, especially China and Burma, have favoured nationalization as a major principle of policy. The Constitution of the Union of Burma and the subsequent industrial policy statement of the Government referred to the eventual nationalization of industries. In China, during the early post-war period, nationalization was extended through government taking over and operating the Japanese-owned enterprises such as cotton mills and chemical industries. Since then the Central People's Government has not only nationalized public utilities and heavy industries, but, in many instances, has expanded government operations to light industries.[7] In Indonesia the trend towards nationalization of public utilities, transport, communications and rice mills is noticeable, although the authorities have recognized that such nationalization is not immediately feasible and that, for some time to come, government control of private enterprise would be more practicable than outright nationalization.

In other countries, the necessity for the government directly to undertake industrial ventures has arisen on account of the peculiar post-war difficulties, such as the inflationary situation, shortage of capital, presence of risk, lack or inadequacy of business entrepreneurship, and the need for reconstruction or development of industry which private enterprise was unable to undertake. But state ownership in these countries does not exclude private enterprise, and it appears to be generally felt that a complete weakening of private enterprise is undesirable or, in any case, impracticable in present circumstances.

The role of the State is initially to cover basic development as far as possible and to undertake responsibility for initiating it in other fields where private capital and enterprise are not forthcoming. The position of India offers a significant example. According to the Government of India resolution of 1948, the manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railway transport are the exclusive monopoly of government. Similarly, multi-purpose power projects involving large long-term investments are to be financed and managed by the State. In the case of coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephones, telegraph and wireless apparatus and mineral oils, the setting up of new units will be the responsibility of the State except in cases where government feels that participation of private enterprise is desirable in the public interest. Existing undertakings in these fields will not be taken over by the State (save in exceptional circumstances) for a period of ten years, during which facilities for their efficient working and reasonable expansion will be provided. In Pakistan, the Statement of Industrial Policy (1948) mentions arms and munitions of war, hydro-electric power, transport and communication apparatus and equipment as industries to be operated by the State. In order, however, to accelerate the pace of development, the Industrial Development Corporation has been charged with the responsibility of developing specific industries. Though a number of industries have been put down for development as state enterprises or monopolies, it is realized that, until such time as the State can undertake efficient production, private enterprise should be permitted to develop them either independently or in partnership with the State. In Ceylon, while there is no declared policy of nationalization, the Government already owns a number of factories, such as a coir factory, plywood and glass factory, a leather factory, an acetic acid plant and a steel re-rolling mill. New schemes under state sponsorship include hydrogenated coconut oil, caustic soda, textiles, steel, paper and cement. Other schemes such as aluminium, sulphuric acid, sugar and paints and varnishes are also under consideration. However, the programme of economic development leaves many important fields, such as tea, rubber and coconut and other processing industries, to private enterprise, and government policy is to encourage and assist in improved production of these commodities. According to announced policy, while the Government is taking the initiative in certain new industries, private enterprise is not excluded from participation in these fields. Similarly, in the Philippines, under the auspices of the National Development Company established in 1919, a number of industries are owned and operated by the State through various government corporations. In the post-war period, new corporations were organized for a number of purposes. At present there are twenty-four government corporations excluding subsidiary enterprises. However, a Committee on Reorganization of Government Corporations, which submitted its report to the President in August 1950, recognized the need to bring down the number to sixteen and recommended that, in the development of Philippine resources, preference should be given to private industry, and that the Government should withdraw from activities, particularly in the field of trade, export and agriculture, which are now in competition with private interests.

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[6] See *supra,* chapter III on "Manpower and Employment".

[7] See United Nations, *World Economic Report, 1949-50,* New York, 1951; pp. 61-62.

Trends towards Mixed Economy

It can thus be seen that the trend towards what may be called a mixed economy, especially in China and Burma, has been brought about by a number of circumstances. Recent tendencies indicate a more cautious attitude towards state participation in industry. For example, Pakistan and India are currently thinking on lines which would admit of increasing participation by private enterprise even when government is anxious to undertake development on its own. The Government of Pakistan is anxious to extend the scope of private enterprise even to those industries which it had reserved to itself. The manufacture of transport equipment is an example. A Pakistan industrialist has submitted proposals to the Government for the manufacture of railway wagons at Karachi. Similarly, the outstanding development in India is that even basic industries which fall exclusively within the public sector are to be run on a system of company management. It is expected that this will affect for the present six important state-owned and state-controlled industries, including the machine tool factory now under construction, a cable factory and a pre-fabricating factory.

In Thailand the Government has initiated projects in such industries as sugar, paper and gunny bags. It is currently considering the establishment of a separate industrial bank which would specialize in financing development projects for government and private enterprise or for joint undertakings. Private enterprise is being assisted in respect of industries like textiles, cement and iron and steel. In Ceylon, private enterprise is being encouraged in the establishment of factories for soap, matches, rubber shoes and latex, and aluminium foil and pieces. In Indonesia, while the Government has given special emphasis to developing projects for a spinning mill, paper factories, and cellulose and cement factories, the private sector is currently engaged in developing industries like glass, knitting, oil pressing, rice mills, and tanning and dressing.

Finally, it is generally recognized that as the basic development of agriculture, electric power, transport and social services progresses, the opportunities for private enterprise will expand and its place in economic development plans will become increasingly important.

PRIORITY AND SEQUENCE OF ECONOMIC DEVELOPMENT IN PLANNING

Underlying Factors

The ECAFE region has certain characteristics affecting the extent as well as the sequence of economic development. In spite of their familiarity, it may be well to re-emphasize these. They are: (1) large population — 1,092 million people, equal to half the world's population, contained in about 16 per cent of the world's land area, living on a low level of subsistence; (2) predominance of agriculture; (3) low productivity and *per capita* income; (4) the small share of proved mineral resources in relation to land area and population, but nevertheless in most countries generally adequate for economic development at least during the initial stage; (5) dearth of capital; (6) shortage of technical, managerial and supervisory personnel, particularly that with advanced training and experience; (7) slow industrial growth and (8) current expenditure on national defence.

The current problems facing the countries, viz., rehabilitation of war devastation, naturally formed the first stage of national planning. However, several countries, e.g., Burma, China and the Philippines, had hoped that some development work might be achieved concurrently with rehabilitation. In all countries of the region, it was realized that it would be unrealistic to aim at any spectacular increase in the *per capita* income of the people during the early phases of the programme. In determining the priorities of economic development, governments have had to bear in mind two inter-related problems, namely to provide the indispensable preliminary development which would pave the way for improvement in the future, and at the same time to meet the most urgent needs for food and other essential consumer supplies.

Since the countries of the region are predominantly agricultural, plans for industrial development have to be closely co-ordinated with those for agricultural development. There is also a need for proper proportion between projects which yield immediate visible results and those whose results take longer to appear but provide indispensable preliminary development, as in the fields of education and medicine, transport, electric power, minerals and technical training. The national income of under-developed countries being low and natural resources being inadequately developed, the problem of concentrating efforts on further developing already-developed areas has to be weighed against that of developing on a decentralized basis. In the latter case, basic developments in agriculture, transport and power are essential prerequisites. Finally, a fundamental problem is that of releasing resources from current consumption for development purposes. It has to be recognized that, to attain any substantial degree of capital formation in countries with limited savings and without large-scale external assistance, a lowering of consumption standards is inevitable. To emphasize capital formation at the expense of living standards may, however, lead to economic distress and political instability and thereby hinder economic development.

Priorities in Economic Development Plans

The importance of each of the above factors may vary from country to country. In determining priorities, certain urgent requirements cannot be ignored. Thus, for example, in India highest priority has been given to schemes for increasing the production of food and essential raw materials, and an almost equal priority attaches to schemes for maintaining transport at a level of reasonable efficiency. In the industrial sector, the emphasis has been on better utilization of installed capacity and on making good certain crucial lacunae. In Pakistan the first place in the development plan has been given to the generation of power (as it is realized that without adequate supply of power the process of industrialization will be slow); yet the benefits of increased agricultural production with a view to earning larger internal and external income are not overlooked. As a result, equal emphasis is given to the mechanization and modernization of agriculture. In Burma, almost all capital which was invested in its economy has been foreign. Nationalistic and socialistic tendencies in Burma have now altered the position of foreign interests which controlled a large portion of its land, commerce and industry. Under normal conditions in Burma, the Government would have been able to devote greater attention to the development of areas now suffering civil strife and undertake basic developments in transport, electric power and minerals. But in the circumstances priorities have been determined on the basis of projects which will yield quick results. In the Philippines development programmes now give greater emphasis to improved agricultural production by applying to all basic crops known methods of increasing yield, and to encouraging new industries for which adequate power and transport facilities are of first importance. In Indonesia the priorities in development plans have been determined on the basis of making good the deficiency in transport and irrigation, while at the same time undertaking development of consumer goods industries, such as textiles and paper, which afford an opportunity of quick and large returns. In Thailand, the priorities are assigned to transport, port facilities and irrigation, so as to promote increased agricultural production and export. Industrial development is to be confined initially to processing industries for which indigenous raw materials are available. In Malaya, priority has been given

Table 24. Proposed Government Outlay on Capital Expenditure
(In million US dollars)

Country	*Period covered*	*Agriculture, fisheries, forestry, livestock, and irrigation*	*Transport and communications*	*Electric power*	*Industry*
Ceylon	1951-1957	106.4	61.6	22.4	16.8
Hong Kong	Not given	1.4	–	3.5	–
India	1951-1957	1,276.8	1,475.6	120.4	378.0
Indochina	First 5 years	141.0	137.9	35.0	47.5
Federation of Malaya, Singapore, North Borneo and Sarawak	1951-1957	36.4	59.1	56.3	.6
Nepal	First 5 years	2.7	3.1	5.9	6.7
Pakistan	1951-1957	246.4	159.6	142.8	148.4
Philippines	1950-1954	14.8	18.9	2.5	5.6
Thailand	–	–	–	14.0	125.0

Sources:

Ceylon: Postwar Development Proposals 1949-55. Data from *The Colombo Plan.* Does not include private investment.

India: Data from *The Colombo Plan.* Includes "desirable" private investment.

Indochina: Estimates given by the Sub-Commission on Modernization of Indochina, 1948.

Malaya and Singapore: Data from *The Colombo Plan.* Does not include private investment.

Nepal: Data supplied by the Government.

North Borneo: Reconstruction and Development Plan 1948-55, and data from *The Colombo Plan.* Does not include private investment.

Pakistan: Data from *The Colombo Plan.* Does not include private investment.

Philippines: Annual Report of the National Economic Council.

Thailand: Data supplied by the Government.

to the improvement of agricultural efficiency, to the increase of electricity and to better communications, while at the same time expanding social welfare services. The latter are considered to be urgently needed, and large capital outlay is planned.

Table 24 indicates, for most countries of the region, the total proposed *government capital outlay* and its distribution among various forms of development.

It will be seen that large funds are to be devoted to agriculture, transport, and electric power development. Investment in industries, though substantial compared with previous state action, is proportionately small. A large percentage of agricultural investment is to be for irrigation work, notably in Ceylon, India, Malaya, Pakistan and Thailand. Resultant planned increases in agricultural production and also increases in power capacity are shown in table 25.

Table 25. Planned Increase in Cultivated or Irrigated Area, Agricultural Production and Power Capacity

Country	*Additional area[a] to be cultivated or irrigated (1,000 hectares)*	*Additional per year production of agricultural commodities (1,000 tons)*	*Additional power capacity for agriculture only (1,000 kw)*
Burma	1,200	2,000	20
Ceylon	100	75[b]	50
India	3,600	5,070[c]	900[d]
Indonesia	739	–	40
Korea (South)	135	–	28[e]
Malaya	148	250[f]	80
Pakistan	1,400	7,000[g]	200
Philippines	170	–	297
Thailand	1,000	1,000	6-10

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[a] Excludes double cropping possibilities.

[b] Includes rice only.

[c] Food grains 3 million tons; raw cotton 195,000 tons; jute 375,000 tons and oilseeds 1.5 million tons.

[d] 708,000 kw by 1956/57 and 900,000 kw by 1960.

[e] Represents expansion and new installation of hydro-electric power.

[f] Rice 137,000 tons; rubber 100,000 tons; pineapple 12 million cans.

[g] Represents only food grains and non-food crops such as jute, cotton and tobacco Additional production of wool, hides and skins, forest products, milk and fodder estimated at 55 million tons.

While the proportionate financial allocation for transport and communications is largest in India, Indochina, Ceylon and Pakistan, these plans by their very nature will take longer to implement and will follow developments in agriculture. While development of electric power is essential, and in many countries the present shortage of electric power is crucial, the rate of achievement of additional capacity for industrial purpose is necessarily slow, particularly when a major part of the development is combined with that of irrigation and flood control, which occupy a higher place in point of time.

Once the process of development gets under way, its effects become cumulative. The development of agriculture, transport and power will facilitate the growth of industries in the countries of the region, but the pattern of industrialization will vary from country to country depending primarily on the availability of resources and the institutional set-up. Having regard to the present position and future prospects, the industrial pattern in India will probably consist of a large sector of low-skilled or light industries such as leather goods, rubber manufacture, jute, cotton textiles and soap, followed by high-skilled industries, e.g., engineering or such heavy industries as cement and fertilizers, and iron and steel. Developments envisaged in respect of iron and steel, except in India, are of a minor character, consisting of small-sized re-rolling mills or factories based on the utilization of a limited quantity of scrap. Even in regard to those industries based upon domestic raw material supplies, the industrial pattern is likely to be characterized by a limited number of medium-sized plants such as, for example, jute and cotton textiles, chemicals like sulphuric acid and caustic soda and cement and chemical fertilizers. Thus, on the basis of present and future availability of power and fuel and raw materials, the most significant industrial development in Pakistan is envisaged in cotton and jute textiles, sugar, chemicals and fertilizers, while heavy industries comprise only small-sized re-rolling mills. In Ceylon the projects relate to the processing of local agricultural products and raw materials, e.g., coconut oil, glycerine, alcohol, glass, ceramics and coir. Among basic industries, Ceylon envisages a limited production of ammonium sulphate and super-phosphate and a small-sized steel re-rolling mill. A similar sequence of development is foreseen in Burma, where additional installations of cotton spindles, a small-sized re-rolling plant and a paper industry are included in the programme. In Indonesia, industrial development is at present confined to consumer goods industries, such as textiles, paper, cement and ceramics. In Malaya, industrial development will be confined to processing of raw materials such as coconut oil and rubber, and a few subsidiary industries.

As the development programmes proceed and national income and savings of the country grow, the development of agricultural and mining industries will proceed further in the second stage and emphasis will change from primary development to investment in industries and commerce. The scale of industrialization envisaged in the first six years under the Colombo Plan is the minimum necessary to introduce a better balance in the national economies. Because of abundance and cheapness of unskilled labour, "light" industries and the manufacture of simple goods — as a rule consumer goods industries — are to be developed first, while capital goods industries, apart from mining, public utilities, etc., will be expanded only at later stages.

Recent Developments in National Economic Planning[8]

The development plans in most countries were prepared soon after the end of the war. Considerable changes in the world economic situation have since taken place which have altered the status of the plans as well as the thinking of the governments. Earlier expectations of external help were not fulfilled, although individual countries such as China, South Korea and the Philippines obtained considerable financial assistance from the United States. The Federation of Malaya and Hong Kong benefited from the Colonial Welfare and Development Act and investment in the Colonial Development Corporation. After partition, India had to recast its plans on the basis of the new situation, as a series of agreements regarding the release of sterling balances showed that not all sterling balances would be immediately available and only a very small part in other currencies. In Burma and Indonesia civil strife created a new situation in which it was practically impossible to implement even those plans relating to rehabilitation and reconstruction.

Considerable revision of over-all plans took place in and after 1949. Notably as a result of the meetings of the Commonwealth Consultative Committee for South and South-East Asia in 1949 and 1950, the Governments of India, Pakistan, Ceylon, the Federation of Malaya, Singapore, North Borneo and Sarawak, drew up a Six-Year Programme of Economic Development. The Commonwealth Consultative Committee emphasized the need to draw up plans designed to meet the urgent current needs of the countries and to include in those plans only sound and realistic projects which were already under way or could be completed between 1951 and 1957. It also emphasized that the national plans should, as far as possible, indicate the extent of self-help that the countries could bring to bear upon the plan and that of the "gap" requiring external assistance. As part of such revision, a substantial change in emphasis has been effected in the plans. Priorities have been re-examined on the basis of urgent needs. As pointed out already, primary emphasis is now on the expansion of food and agricultural production and early attention to basic developments in respect of transport, communications, electric power, etc.

Throughout the region, on account of lack of external and internal financial resources, a new emphasis is being given to the development of those industries which require comparatively little external finance or supplies of capital goods. As a result, in India, Pakistan, Burma, Indonesia and the Philippines, the development of cottage industries has begun to attract more active attention of governments.

During the past three years, loans extended by the International Bank for Reconstruction and Development enabled some countries to start work on a number of projects of vital importance, such as reclamation of waste land, improvement of transport and development of electric power in

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[8] See also *Economic Survey of Asia and the Far East, 1949,* chapter XVI on "Economic Planning".

India, and irrigation, dredging of the Bangkok harbour and improvement of transport in Thailand. The Government of the Philippines revised its earlier electric power development projects in terms of the loan criteria of the International Bank.

In Burma, Indochina, Indonesia and Taiwan, the assistance provided by the United States Government under the Economic Co-operation Administration, besides meeting their urgent requirements for food, clothing and medical supplies, also enabled them to meet some of their essential needs for developing industries, such as cottage and textile industries.

Machinery for Planning and Co-ordination

A significant development has been the action taken by several countries toward setting up planning machinery to co-ordinate various individual schemes into integrated national plans. Thus, in Burma the working of the Ministry of National Planning and the Economic Council is likely to be facilitated by a proposed committee of the heads of departments and the ministries to ensure co-ordination and implementation. In Ceylon, the co-ordination of development and determination of priority are being done at ministerial level in the Cabinet. In Sarawak and North Borneo, Development Secretaries have been appointed to co-ordinate the development projects. In the Philippines, a Department of Economic Affairs has been set up to promote co-ordination and the selection and implementation of projects and to prevent overlapping in the allocation of financial and other resources. Government-owned and government-controlled enterprises, which are operated by the National Development Company and its subsidiaries, will be further assisted by a Control Committee and a Government Enterprise Council, which is a policy-determining body, to advise the President in the exercise of powers of supervision and control over such enterprises. In India, a Planning Commission has been established whose functions are to assess the available resources, to investigate the possibilities of augmenting those which are inadequate in relation to requirements, to formulate a plan for their most effective utilization, to define the stages in which the plan should be carried out, to determine the priorities of schemes of development, and to review and appraise periodically the progress and execution of the plan in all its aspects. An Economic Council, charged specifically with the functions of carrying out the planned programme, has been set up in Pakistan. It is an autonomous administrative organ, directly responsible to the Cabinet, empowered to appoint consultants, experts and officials and to determine the methods and agencies by which the work of planning is to be done. The setting up of a Planning Commission was announced in March 1951.

In India, Ceylon, Pakistan, the Federation of Malaya, Singapore, North Borneo and Sarawak, development programmes are specifically related to available resources, e.g., in terms of national income and availabilities of development commodities and external finance in the light of the present and prospective balance-of-payments position. The extent of the gap between available local financial resources and requirements has been determined and also the gap between available foreign exchange resources and requirements. Requirements for trained personnel and technical assistance have been specifically determined in terms of the projects under the Six-Year Development Plans. In India and Pakistan, further efforts have been made to prepare a resources budget to assess the development needs for such commodities as iron and steel, cement, timber, fertilizers and basic materials. In India, Pakistan and China where, in the earlier years of planning, governments had concentrated on the creation of appropriate organizations to be in charge of the various sectors of planned development, the problem of staffing has become very important. Most countries are short of adequate technical and economic staff and lack adequate channels of information. These difficulties are now increasingly evident, and while attempts are made to make the administrative machinery capable of doing the work of planning, the present trend is to regulate the pace and direction of planned programmes within the limits set by the capacity of available administrative machinery. Sometimes technical assistance in this field is obtained from abroad, as in the case of Pakistan and Thailand. In Malaya, a realistic organization of the types of administrative and technical services required to implement the plans has been made, and the assistance of the Colonial Development Welfare Fund and the Metropolitan Government is being sought to meet the requirements.

The problem of establishment of a proper relationship between government and private enterprise is being examined in several countries. In India and Pakistan, trade associations, chambers of commerce, and organizations of manufacturers are increasingly associated with government bodies in charge of making policy decisions and administering the various sectors of the economy. In India, the Central Advisory Council for Industries was set up in 1949, and under its auspices a series of development committees dealing with particular industries were formed. Target committees have been established for ten important industries, and working parties composed of industry, labour and government have also been set up to recomment measures for improvement of production and quality.

The Planning Commission of India itself also has a separate Advisory Board consisting for the greater part of persons nominated by associations connected with commerce, industry, labour and other organizations in the technological and socio-economic fields. Furthermore, there are industria panels in which non-officials of experience and standing are associated In Pakistan, apart from a Planning Advisory Board, there is a Genera Advisory Council composed of representatives of the Government and of trade and industry. This Advisory Council has subsidiary advisory committees for individual industries.

The problem of adequate statistics has come to the fore in many countries, and efforts are being made to set up or strengthen statistics-collecting and analysing departments. In India, Pakistan, Burma and Thailand, the present statistical machinery is being strengthened, and in India the Planning Commission itself has its own separate economic and statistical staff.

Extent of Implementation

In view of the fact that plans have recently been considerably modified in most countries, it is difficult to show the extent of implementation by the statistics of expenditure incurred under national budgets or development programmes. However, a few significant statistics may be cited. The Government of the Union of Burma between 1948 and 1951 spent about Rs. 315 million on development. In Ceylon against the estimated cost for the six-year period of Rs. 1,360 million over six years, the average expenditure per year during 1947-1951 was of the order of Rs. 116 million, that is roughly half the estimated cost. In India the total cost of the projects in progress or ready for execution for 1951-57 was originally estimated at Rs. 32,190 million, against which a total of some Rs. 4,800 million was spent[9] between 1944 and 1950. In Pakistan the Development Board has so far budgeted, for the years 1949/50 and 1950/51, Rs. 134 million and Rs. 292 million respectively as against a total cost of some Rs. 2,400 million for a period of six years.

In view of the fact that budgetary allocations have been on a year-to-year basis and not on the basis of meeting the complete cost of a particular project, the cost of only a few projects has so far been fully covered by budgetary allocations. Significant though limited progress has, however, been achieved in many countries. In North Borneo the major task of reconstruction is practically completed, although in certain fields completion of rehabilitation has been delayed by lack of funds. In Burma a textile project has been completed, and a cotton spinning factory with 20,000 spindles is now operating in Rangoon. In Ceylon the reorganization of government-owned factories such as glass, acetic acid, ceramics, paper, plywood, coir and re-rolling mills is progressing. A cement factory has been established and a large paper mill is under construction. The implementation of irrigation and hydro-electric development plans is under way.

In India the budgetary allocations cover all fields of agriculture, transport, power, fuel, mining and industry. Considerable progress has been achieved in the rehabilitation and development of railways and port facilities and in a considerable number of medium-sized irrigation projects. Work is progressing on the three major multi-purpose projects, namely, the Damodar Valley, Hirakund and Bhakra Nangal. These projects account for 51 per cent of the total expenditure under multi-purpose projects. As many as 119 major irrigation projects are in various stages of construction. Progress in installing new power units has also been substantial. A 250,000-kilowatt thermal plant is being installed in the Damodar Valley area. The work of expanding the capacity of the Calcutta Power Plant has been completed. The over-all electric power capacity (public utility plant) has increased from 1.2 million kilowatts in 1945 to 1.5 million kilowatts in 1949. Progress in communication and transport has been appreciable, a loan having been obtained from the International Bank for Reconstruction and Development. The work, however, of expanding the shipbuilding facilities of the Vizagapattam Yard has not progressed. Among the industrial projects the schemes so far completed are the fertilizer factory at Sindri and a few industries such as cement, sugar and engineering. It appears that the expansion of three steel plants in the private sector is now assured through government loans. The proposed machine-tool factory is under way. Already about one-third of the total capital cost has been budgeted for and some of the reparation units installed. In respect of other government projects such as steel plants and electric plant, aircraft manufacture, manufacture of railway coaches, shipbuilding and locomotives, electrical equipment and supplies and telephones, while a considerable amount of initial work has been done and blueprints are ready, the progress has not gone beyond that stage. Technical assistance from the World Health Organization, together with financial assistance from the United Nations International Children's Emergency Fund, will make possible the establishment of a DDT factory. A drag on future development is the existence of idle capacity in industries such as steel, sugar, cotton, textiles, super-phosphates refractories, aluminium, power, jute and engineering. This is mainly caused by shortage of raw materials and difficulties of replacing spare parts, for which the country has to depend largely on imported supplies. Foreign exchange difficulties and, more recently, the world supply situation, have been the major problem faced by the country in implementing even the short-term targets of full capacity production. Summing up, industry has no progressed according to targets originally laid down in 1947.

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[9] The figures are approximate, derived from the central government budgets of the Government of India, 1944/45 to 1950/1951.

In Indonesia, progress towards implementation has been retarded by civil disturbances and by lack of financial resources. Minor progress ha taken place in respect of a few consumer goods industries in the private sector. The prospects of fully implementing the programme depend upon financial assistance, which is being sought particularly for the priority projects relating to textiles, paper, cellulose, cement and agricultura implements. Except for transport and irrigation work, the blueprints fo other projects are not known to have been prepared so far. Currentl emphasis is being placed on the development of cottage and small-scal industries, for which purpose a part of the ECA aid allocation is bein utilized.

In South Korea, progress on reconstruction and development woul have taken place at a substantial pace with the assistance of ECA allocations. Many of the projects for reconstruction and rehabilitation of transport and industries, such as cement, shipping, textiles, fertilizers, iron and steel and electric power, were prepared with the help of consulting engineers. The outbreak of war, however, retarded the entire development, and primary needs are once again for relief and rehabilitation.

In Nepal planning is still in the blueprint stage. Only an over-all estimate of Rs. 90 million for various sectors of economic development has so far been given for the first-year plan. Industries such as cotton and woollen textiles, paper, cement, timber and sawmills, rice and sugar mills, tannery and oil are designated to be developed concurrently with hydro-electric and thermal power. Except for work undertaken on irrigation and power development and to a small extent on geological survey, no substantial progress in the technical preparation of plans has been reported.

In Pakistan finance has been allocated to a number of projects on a year-to-year basis. Significant progress has been made in respect of transport and communications, particularly on the Chittagong Port development. Progress has been achieved in a few hydro-electric power projects, such as Mianwali, where an additional 10,000-kilowatt plant capacity is being installed. Rehabilitation and improvement of coal mining is progressing. In the manufacturing industries, good progress has been made in the textile industry, where a total of about 600,000 spindles will come into operation in 1951 as against 177,000 in 1947. A large-scale sugar mill in the North-West Frontier Province is nearing completion. Current financial allocations for government participation in the jute industry promise rapid development in Eastern Pakistan. The over-all expenditure so far devoted to development work is only about 10 per cent of the total estimated for six years. In respect of some projects such as paper, irrigation and engineering industries, financing has not yet been adequately matched by the supply of technical personnel, and as a result, the projects have not advanced sufficiently. The services of a number of consultants in coal mining, geological survey, hydro-electric power development, steel, fertilizers, paper and economic planning have recently been obtained.

In the Philippines a number of projects are under way, such as the Lumot Diversion Dam for 9,000-kilowatt power, a steel mill, a paper plant, shipyards, an aircraft overhaul factory and manufacture of electric bulbs. Some of the enterprises under government ownership and control are running at a loss and require continuous loans and credit. Certain major projects like the hydro-electric power project await successful negotiation for external assistance. The Government is engaged in negotiating loans and assistance from private enterprise for constructing a power plant, a steel mill and a paper factory.

In Thailand planning has so far been confined to the preparation of individual projects. Much co-ordination between projects is still to be done. The Chainat irrigation project, the development of the Bangkok harbour and the construction of railways are ready for implementation, a loan from the International Bank for Reconstruction and Development having been secured. In respect of industries, major emphasis is on the expansion of textiles, paper, sugar, distillery, vegetable oils and rubber. Some of these schemes are already under way.

CHAPTER VII

Trends of Economic Development[1]

In the first five chapters descriptions were given in detail of the human, natural and financial resources of countries in the region and the level and distribution of national income. It was shown that population pressure remains strong, the supply of skilled and technical personnel small, the financial resources very limited, and the productivity of labour low. Economic development has remained at a low level, as evidenced by the low *per capita* income. The preceding chapter reviewed the planning of economic development. Certain trends were indicated, namely the increasing role of the State in economic development, the extension of economic planning and the trend towards a mixed economy. In the present chapter are briefly described the objectives of economic development of the ECAFE countries, and an analysis is given of those trends which are not covered in other chapters of the *Survey,* especially the trend toward development of a balanced economy.

OBJECTIVES OF ECONOMIC DEVELOPMENT

Prior to the war, economic development in the ECAFE countries was not planned on a national scale and usually no attempt was made to define clearly the general objectives. Since the war, with the general awakening to the importance of economic development and with the rise of independent national States, the planning of economic development and the setting up of general objectives to guide it have been common throughout the region.

An analysis of the economic policies and development plans of the ECAFE countries reveals that their general objectives include increase in national income and improvement in the standard of living, achievement of a balanced and diversified economy, and in some countries, also a more equitable distribution of wealth and income.

A few details of the objectives laid down by individual countries may be given. In Burma, the Constitution provides that "the economic life of the Union shall be planned with the aim of increasing the public wealth, of improving the material conditions of the people and raising their cultural level, of consolidating the independence of the Union and strengthening its defensive capacity".[2] It has been the announced policy of the Government that economic development of the country should be such as "to lay the foundations of a balanced economy and increase . . . national wealth in a manner which will secure for the villager a higher standard of living" and create an economy which will ensure that "a fair share of the fruits passes on to the common man".[3] In Ceylon, Malaya and British Borneo, the main objective of development programmes is to bring about increased economic stability by reducing their precarious dependence upon factors outside their control, or in other words, "to broaden and diversify the economies".[4] In China, the chief objectives of the economic development programmes have been the improvement of the people's livelihood and the bringing about of a balanced, equitable and democratic economy. In India, the objectives of economic development have been to promote a rise in the standard of living of the people by increasing production by all possible means "side by side with measures to secure equitable distribution".[5] In Indonesia, the economic policy of the Government envisages an improvement in living standards, social justice and a balanced economy. The Pakistan Government defines its aims and objectives of economic development broadly as "an improvement in the standard of living of the people brought about by harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people by providing gainful and legitimate employment and by assuring freedom from want, equality of opportunity, dignity of labour and a more equitable distribution of wealth" and the formulation of its industrial policy is "to ensure the building up of a sound and healthy economy".[6] In the Philippines, the Government's 1948 programme of economic rehabilitation and development aimed at extensive development of the country's resources and "structural adjustment to free the national economy from too great a dependence on a few export crops and to fortify it better against the severe fluctuations in demand and prices of these crops in the foreign markets by increasing the local production of foodstuffs",[7] and these objectives have been reaffirmed in later development programmes.[8]

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[1] Prepared by the Division of Economic Stability and Development, United Nations Department of Economic Affairs. The term "region" as used in this chapter means Asia and the Far East, including the ECAFE countries and Japan.

The concrete economic development plans into which certain of these objectives have been translated, the priorities and sequence in planning, the increasing role which the State has played in planning, and the extent to which certain plans have been implemented have been dealt with in the preceding chapter. While considerable sums have been spent for economic development in several countries of the region and progress has been made in certain specific fields, the over-all picture is not bright, as evidenced by the fact that the average *per capita* annual income of the majority of the population of the ECAFE countries remains meagre.

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[2] *The Constitution of the Union of Burma,* Article 41.

[3] *Two-Year Plan of Economic Development for Burma,* pages 1-2.

[4] *The Colombo Plan for Co-operative Economic Development in South and Southeas Asia,* report by the Commonwealth Consultative Committee, London, September October 1950 (Cmd 8080), pages 28, 34.

[5] The Government's Resolution on Industrial Policy of 6 April 1948.

[6] Government of Pakistan, Statement of Industrial Policy, 2 April 1948.

[7] Report of Hon. Miguel Cuaderno, Sr., Secretary of Finance, to his Excellenc Elpidio Quirino, President of the Philippines, 1948.

[8] Philippine Economic Survey Mission, *Philippine Agricultural and Industrial Deve opment Programme, 1950.*

Recently there has been a significant change of emphasis in the immediate goal of economic development. A few years ago it was not uncommon to find that one of the aims of government planning was the doubling of the existing standard of living within a prescribed time limit, say ten years. In the last year or so, while the long-term target of development remains the attainment of higher income and a better standard of living, the immediate target has been much more moderate. Most governments are now more concerned in laying down the foundation for further development than in improving the immediate living standard. This approach may be summed up in the words of the Colombo Plan:

> "In terms of the standard of living of the people, the growth of productive power is not likely to show spectacular results . . . The programmes will do little more than hold the present position . . . The strength of these programmes is that they are designed to lay sound foundations for further development: they aim to provide . . . the indispensable preliminary basic development which will pave the way for improvement in the future.[9]

TREND TOWARDS BALANCED ECONOMY

Post-war economic development of countries in the region has been directed, among other things, towards a more balanced economy. The lack of balance in the economy of the ECAFE countries finds expression in the preponderance of agricultural and other extractive production, in the undiversified production in the majority of countries, and in the great reliance on exports and/or foreign assistance for maintaining the level of economic activity. To a much greater degree than before contact with the West, agriculture has become dominant in the production and employment of the ECAFE countries, due to a decline in the relative contribution of handicraft and cottage industries without a compensating development of modern industries. There has also been a shift in agriculture to the production of commodities for export, and the economic activity of some ECAFE countries has become more and more concentrated in a small number of export products. As a result, foreign trade, especially export trade, occupies a key position in their economies, notably in the southeast Asian countries, whose ratio of exports to national income before the war ranged from 20 per cent in the Philippines to 42 per cent in Ceylon. Even in China and India, where the ratio is smaller (4 to 6 per cent before the war), foreign trade has considerable influence on their economic stability. Several of the

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[9] *The Colombo Plan for Co-operative Economic Development in South and Southeast Asia,* Report by the Commonwealth Consultative Committee (Cmd 8080), London, September-October 1950, page 44.

ECAFE countries have become importers of rice and other foodstuffs. In recent years, there has been a definite policy of increasing the relative importance of industry in the economy, diversifying production and reducing dependence upon foreign markets for the sale of raw materials and primary products and for the supply of food and certain manufactured goods.

From the point of view of the absence of economic balance and measures applied to develop it, countries in Asia and the Far East fall roughly into three categories. First are the southeast Asian countries, whose economic pattern is characterized by undiversified agriculture, a few agricultural and mineral products occupying a predominant position in the export trade, and in some cases also in production. This category may be subdivided into two groups: (1) Ceylon, Indonesia, Malaya and British Borneo, and the Philippines, which are food-importing countries; and (2) Burma, Indochina and Thailand, which are food-exporting countries. The economy of the former group depends heavily on the exports of a few raw materials. Such a dependence makes the economy react violently to the economic fluctuations in industrial countries, because of the elastic nature of foreign demand for export products and the inelastic nature of their supply at home. Furthermore, many of these countries have to import foodstuffs to meet domestic deficits. The purpose of their economic development programmes is mainly to expand and diversify their production by increasing the growing of rice and other food grains and by developing manufacturing and processing industries, thus introducing new forms of employment. In the Indo-Chinese Peninsula where mono-culture of rice prevails, Burma, Indochina and Thailand depend greatly on the production and export of that crop, together with a few agricultural or mineral products. Their development programmes also aim at a more balanced economy by stimulating industrial production and diversifying agriculture.

In the second group are China and India, whose economies are also predominantly agricultural, although their agricultural economy is more diversified and their industries comparatively better developed. In the past they often had food deficits and had to depend on foreign countries for certain essential raw materials for their manufacturing industries. Their economic development programmes have as one of their main objectives the achievement of a proper balance between industry and agriculture by developing industries and by increasing the production of food and certain raw materials.

Thirdly, Japan is in a category by itself and its post-war economy is heavily dependent on imports for raw materials and food and on foreign financial aid to pay for them. The main problem of Japan is how to achieve a "self-supporting economy" which would be able to stand on its own fee without financial support from abroad, and which would reduce reliance on foreign sources for supplies of food as well as increase exports to pay fo necessary import of food and raw materials.

A brief description of the lack of balance in the economies of the countries in the region and the measures taken to improve it is given hereunder country by country:

In Ceylon, the economy depends heavily on the production and export of tea, rubber and coconuts. Almost two-thirds of the cultivated lands are devoted to the production of these three primary products, and less than one-third to the production of food crops. Of the country's total value of exports, these together account for over 90 per cent. In 1949/50, the country imported 400,000 tons of rice, while domestic supply was only 187,000 tons. The grain imports were responsible for one-third of the total value of the country's imports. Such a high degree of specialization represents a precarious dependence of the country upon factors outside its control. The prices of the three staple exports are largely at the mercy of external factors. In order to reduce this dependence, steps are being taken by the Government to diversify the economy by increasing food production and by creating new forms of employment, especially in the field of manufacturing. Its six-year plan calls for an increase in the production of staple foods through intensive development of cultivated areas and the opening up of 80,000 to 100,000 hectares of new land, which when brought under cultivation are expected to yield 75,000 tons of rice a year. The current economic development programmes also call for the establishment of a series of industries for the processing of local raw materials (coconut oil, glycerine, etc.) and some consumption-goods industries (textile, sugar, etc.), as well as small-scale steel re-rolling and fertilizer industries, designed to meet local requirements.

In Malaya, the undiversified nature of the economy finds expression in the preponderance of a few export products, notably rubber and tin, in the production and trade of the country. In 1949 and 1950 rubber occupied about two-thirds of the cultivated area of Malaya, and together with coconuts, constituted the chief plantation products. In the composition of trade, rubber alone was responsible both before and after the war for over two-fifths of the total value of exports and, together with tin and coconut products, accounted for about 70 per cent. Less than one-fifth of the total acreage under cultivation is devoted to the production of rice, the principal food crop. Food production is far from sufficient to meet domestic demand and the country has to depend heavily on imports for food supply. It has been the announced policy of the Government to broaden and diversify the economy by increasing the production of foodstuffs, especially rice, and by stimulating manufacturing industries, although in recent governmental plans attention has been devoted mainly to the opening up of new rice lands and to increasing the present low yields through irrigation, drainage and river-conservancy schemes.

In Indonesia, production and export are also undiversified, though to a much lesser extent than in Ceylon and Malaya. The acreage covered by export crops is about one-third of that covered by food crops. Rubber, tea, sugar, copra and tobacco together accounted for about half of the total value of exports (46 per cent in 1938 and 50 per cent in 1949). Undiversified production also exists in mining, petroleum and tin together making up 30 to 40 per cent of the country's total exports. Like Ceylon and Malaya, Indonesia has a deficit in foodstuffs, but rice imports in 1949 accounted for only 2 per cent of the country's total requirement and for less than one-fifth of its total imports. Attempts are being made by the Government to make the economy more diversified through industrial development, highest priority being given to the textile industries as well as to the increase of food production.

In the Philippines, the economic pattern has been characterized by undiversified production and by heavy dependence of its exportable products on the tariff protection of the United States. The productive activities of the country are mainly agricultural, and "have been confined to the partial production of domestic requirements in food, clothing and shelter and to the production, in a semi-processed state, of a limited number of mining and agricultural products".[10] In 1946, about 80 per cent of the population was engaged in agriculture and almost 95 per cent of the cultivated land was devoted to the production of seven principal crops: three primarily for domestic consumption, i.e., rice, corn and fruit; and four primarily for export, i.e., sugar-cane, coconuts, abaca and tobacco.[11] Prior to the war, sugar, copra and coconut products, abaca and cordage, and tobacco together accounted for over four-fifths of the total value of exports excluding gold and silver, and three-eighths of the total population was engaged in their production. The prominence of a few export products in production and trade resulted mainly from the special tariff arrangement under which duty-free treatment was granted to Philippine products entering the United States and to United States products entering the Philippines. As a result of the preferential treatment given to Philippine products in the United States market, the production of a few preferred commodities increased rapidly at the expense of others, and over four-fifths of the country's total exports prior to the war went to the United States. The major part of Philippine export crops, including almost two-thirds of the country's exports to the United States in 1940, could not successfully compete elsewhere on the international market. Furthermore, due to production resources being concentrated in a few agricultural exports and to the duty-free treatment granted to imports from the United States, the Philippines depended heavily on that country for industrial products including consumption goods and failed to develop its own manufacturing industries.

Since the country became independent the Government has taken steps to bring about a more balanced economy. This programme has been hastened by the fact that the present duty-free arrangement will come to an end in

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[10] Joint Philippine-American Finance Commission, *Philippine Economic Development* a technical memorandum prepared by Thomas Hibben, Manila, 7 June 1947, page 1.

[11] The ratio of area under export crops to area under food crops was about 3 to 7.

1954 and trade between the United States and the Philippines will thereafter be gradually and progressively subjected to tariff duties. The measures taken by the Government "to free the national economy from too great a dependence on a few export crops and to fortify it better against the severe fluctuations of demand and prices of these crops in the foreign markets",[12] to adjust the economy to the forthcoming progressive imposition of tariffs by the United States, and to bring about a more diversified economy, include the following: programmes to increase the production of foodstuffs, especially rice; programmes to increase productivity in the leading export crops, to expand processing industries and to enlarge the scope of internal distribution through development of transportation and communication facilities; and programmes to rehabilitate and develop light industries to meet local demand, such as textile, paper and pulp, light chemicals, fertilizer, plywood and lumber, cement, etc.[13]

In Pakistan, the economy is also undiversified and the economic well-being of the farming population depends considerably on a few raw materials which are produced mainly for foreign markets and which together account for over four-fifths of the total value of the country's exports. The country's unbalanced economy is, however, largely a result of the partition of the Indian sub-continent. Unlike countries such as Ceylon and Malaya, Pakistan does not depend on imports for food. Over four-fifths of the cultivated areas are under rice, wheat and other food crops, although these are mainly for local consumption and not much surplus is available for export. Like Ceylon and Malaya, Pakistan has an undiversified export trade concentrated on a few raw materials, notably jute and cotton. These products are exported almost entirely in their unmanufactured form. The country has a low level of industrial development, depending largely on imports for manufactured goods, including some made of raw materials which it had exported. At the time of attaining independence, Pakistan did not have a single jute mill, because the manufacturing plants remained in India. In its statement on industrial policy on 2 April 1948, the Government considered such a pattern of production unhealthy and announced that it would "seek, in the first place, to manufacture in its own territories the products from its raw materials, in particular jute, cotton, hides and skins, etc." and would at the same time make efforts to develop consumer-goods industries, for which Pakistan is dependent on outside sources. The post-war economic programmes of the country, besides those relating to basic needs such as generation of power and improvement of transport, have given high priority to the development of cotton textile, jute and paper industries, partly because raw materials for these industries are locally available in large quantities and partly because they are considered as essential requirements of the country.[14]

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[12] *Philippine Agricultural and Industrial Development Programme, 1950.*

[13] At the initial stage the development of heavy industries and other projects involving large investments is being postponed, except for a few projects that are considered essential for further development, such as hydro-electric power projects.

In Burma, Indochina and Thailand, rice constitutes the most important item both in production and in foreign trade. Prior to the war, Thailand had 95, Indochina 86, and Burma 65 per cent of its total cultivated acreage planted in rice. Rice constituted 40 to 50 per cent of the total exports of these countries, the other major export items being petroleum and teak for Burma, tin, rubber and teak for Thailand and rubber for Indochina. The trend in the economic development of the three rice-exporting countries is not to weaken their rice economy, but to introduce new products and to establish manufacturing industries so that their economies will not be confined mainly to the culture of rice. In Burma, the Government's programmes include the establishment of industries, such as power, textiles, rice, sugar, etc., as well as the introduction of new crops such as tobacco, oilseeds, cotton and fruits. Similar tendencies are found in the development programmes of Thailand and those of the Associated States of Indochina.

In China and India, agriculture also occupies a dominant position in the national economy, but it is much more diversified than in the other ECAFE countries. The main problems faced by these two countries in building up a balanced economy are two: namely, how to bring about a proper balance between agriculture and industry by industrial development and how to reduce dependence on imports for food and certain raw materials. The programmes of industrial development of the two countries have been dealt with elsewhere in the current and previous issues of the *Survey*. Suffice it to say that it is definitely the long-term policy of the governments of these two countries to expand considerably the industrial sector of their economies. In their recent development plans, however, the emphasis in the industrial field has been placed on a fuller utilization of installed capacity and the filling in of certain crucial gaps in the industrial structure rather than on the establishment of new manufacturing plants.

Two of the most immediate problems in the two countries are the shortage of food and of certain raw materials, notably raw cotton. Domestic production of food grains failed to meet internal requirements and the countries had to import rice and wheat from abroad, both before and after the war. In China, the import of rice and wheat (including wheat flour) averaged over 5 per cent of the total value of the country's imports in the years preceding and those immediately following the war. In India, wheat and rice imports in 1949 constituted about 15 per cent of the country's total imports. Similarly, both China and India (after the partition) depended on imports to meet their deficits in certain raw materials, especially raw cotton and some other textile fibres. In the post-war years, it has often happened that textile mills in these two countries were forced to lie idle for certain periods because of shortages of raw materials. In the development plans of both countries, emphasis has been placed on increasing the production of rice and other food grains on the one hand, and of raw cotton and other textile fibres on the other. In India, the first objective of the six-year plan is "the carrying out of a series of irrigation and multi-purpose projects which are expected to bring vast areas of land under cultivation, for the purpose of increasing the production of food and raw materials like cotton".[15] According to the plan, by 1957 food grains would be increased by 3 million tons, raw cotton by some 26 million bales, raw jute by 1.5 million bales and oilseeds by 1 million tons. The increased production, if realized, would bring the country to a position of self-sufficiency in food grains and would greatly reduce its dependence upon imports for its raw materials. Similar tendencies are found in the development programmes of China. In the mainland of China significant progress was evidenced in the year 1950 in the production of both food grains and raw cotton, which were reported to have shown increases over 1949 of 13 and 70 per cent respectively.[16] There are indications that the attempts at self-sufficiency in food and in raw cotton may be successful.[17]

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[14] The Government of Pakistan, *Six-Year Development Programme of Pakistan July 1951 to June 1957*, page 11.

The problems faced by Japan differ greatly from those of other countries in the region, being mainly those of adjustment to post-war political and economic changes. Before the war, the Japanese Empire was more or less self-sufficient in food and its dependent territories constituted important sources of supplies of raw materials. With the change in the status of Korea and Taiwan (Formosa), which together supplied it with 1.8 million metric tons of rice annually before the war, Japan has had to depend on foreign sources to meet its food requirements in spite of the recent increase in production. Also, it continues to depend heavily on foreign sources for raw materials, especially textile fibres, iron ore and coking coal, in order to supply its industries. So far Japanese exports have not regained the level at which they can pay for the necessary imports, and the country has therefore depended on financial aid from the United States amounting to 400 or 500 million dollars annually from 1947 to 1949.[18] The present situation is abnormal and cannot be continued indefinitely.[19] In order to rectify this situation, the economic programmes of Japan have concentrated on the achievement of a relatively "self-supporting economy". The main features of the programmes include: increasing production in food and raw materials and lowering their cost; raising industrial production for export; expanding the merchant fleet and improving tourist services to increase invisible income; and balancing international payments within a few years.

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[15] The Government of India, *Six-Year Development Plan of the Union of India 1951-57*, page 4.

[16] *People's Handbook 1951* (in Chinese, compiled by the *Ta Kung Pao*).

[17] It may be noted that in both China and India the cultivated area cannot be expanded to any considerable extent in a short period of time. The policy of increasing the production of both food grains and textile fibres simultaneously can be successful only if productivity is raised and if the distribution of cultivated land between food production and the production of textile fibres is consistently planned and controlled. Otherwise one group may be expanded at the expense of the other. In the mainland of China, price ratios between food grains and agricultural textile fibres were fixed by governmental authorities to avoid unnecessary shifts of production between them.

[18] Before the war, Japan was a net exporter of capital, having a net foreign investment of about 700 million dollars.

[19] In 1950, United States grants were reduced to only a little over one-third of the figure for 1949; and the time is not far off when they would come to an end.

TREND TOWARDS EQUITABLE DISTRIBUTION OF WEALTH AND INCOME

In many countries of the region it has been increasingly recognized that the concentration of wealth, especially land ownership, in the hands of a small number of persons and the high rents for agricultural land and usurious rates of interest present handicaps to economic development because they tend to deny the great majority of the people the opportunity and resources to improve production, thus weakening their initiative. So long as the people are unable to share sufficiently the fruits of economic progress there is apt to be little incentive for them to exert their maximum effort. In the post-war years several countries in the region have taken measures to attain a more equitable distribution of wealth and income, although the measures to date for most of the countries cannot be considered commensurate with the tasks to be fulfilled.

The most important measure in this direction has been land reform.[20] As the great majority of the population in the region is employed on the land and the bulk of the national income is derived from agricultural activities, any attempt to bring about a more equitable distribution of wealth would naturally start with agrarian structure and land tenure. In the last few years large-scale programmes of land redistribution, involving transfer of ownership of land from the landlords to the tillers, with or without compensation, have been taken in a number of countries in the region, notably China and Japan. In the mainland of China, by June 1951 land distribution has been completed in areas having a total population of about 270 million, or about two-thirds of the rural population of China. In Japan, land distribution was completed in 1949 and 3 million farmers, representing half of all the farm households, acquired land under the reform programme. Land redistribution has also taken place in Burma and Korea. In India and Pakistan, various land-reform programmes have been enacted, which if fully implemented would affect half of the total cultivated areas.

In areas not covered by land redistribution, whether the country has such a programme or not, measures have been undertaken by governmental authorities to reduce agrarian rents and to ensure security of land tenure. In China, the reduction of rent to 37.5 per cent of the main crop has been enforced in most of the areas where land redistribution has not been carried out. Measures for the reduction of rent and for the protection of tenants have also been either enacted or enforced in other countries, including Burma, India, Indochina, Korea, Pakistan, the Philippines and Japan.

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[20] For detailed description of land reform, see note on the subject on pp. 182 to 191.

Another development towards a more equitable distribution of wealth and income is in the fields of agrarian credit and interest. In most parts of the region, more than half of the farming population (sometimes as much as three-fourths or even more than nine-tenths) are heavily in debt and usurious rates of interest (ranging from around 20 to over 200 per cent *per annum* — usually 30 to 50 per cent) are charged by the money-lenders. Not only is a considerable share of the current income of the farming population given to the creditors in the form of interest, but failure to pay interest and principal has constituted a major cause for the increasing alienation of agricultural lands from the cultivators to the non-agriculturists. In recent years some measures have been taken in some countries in the region to lend the farmers money at low interest rates and to regulate both agricultural loans and the interest charged thereon. These measures differ from country to country. In certain areas, notably in those under the administration of the Central People's Government of the People's Republic of China, all debts incurred by the farmers prior to a certain date were cancelled. In a few countries there are laws and regulations setting a legal limit to the maximum rate which can be charged either for loans in general or for rural debts in particular. The most common measure adopted in the countries of the region has been the extension of low-interest loans (usually 2 to 7 per cent) to the rural districts, either directly by the Government or through the agricultural credit institutions, especially credit co-operatives. In Burma, for instance, as a result of the increase in the Government's advances to cultivators (the estimate for 1950/1951 is 36.5 million rupees, which is many times the pre-war figure), the activities of the foreign (mainly Indian) money-lenders have been practically stopped, and those of the indigeneous money-lenders curbed. For the region as a whole, however, the steps so far taken have been far from sufficient to eliminate the money-lenders or to solve the problem of agricultural indebtedness.[21]

Attempts have also been made in a number of countries to improve the living conditions of the working class and to increase their income. This subject has been dealt with in chapter III above. Suffice it to mention here that enactment of various legislative measures has not been able to raise the income of that class to any substantial degree.

In a number of countries in the region, there have been adopted financial and other measures which would have the effect of bringing about a more equitable distribution of income. Among them are nationalization, expansion of public enterprises, adoption of progressive direct taxation systems, etc. They have been taken up in other parts of the *Survey*.

Although for the region as a whole the achievements are still very limited, the rising trend is clearly towards a more equitable distribution of wealth and income.

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[21] See ECAFE, *Mobilization of domestic capital through financial institutions* (E/CN.11/I&T/40), pp. 78-97, 110-116 and *passim*.

Note on Land Reform

Land reform is one of the most important problems in Asia and the Far East. During the past years, especially in 1949 and 1950, over one-fourth of the population of the region has been affected by land redistribution and even more by rent reduction and other related measures.

In this note, preliminary information is given on Burma, China, India, Japan, Korea, Pakistan and the Philippines.

In *Burma,* especially since the depression of 1930, alienation of agricultural lands from the agriculturists to the non-agriculturists, mainly to money-lenders, has taken place at an increasing rate. Before 1930 about one-fifth of the total cultivated land of the country was held by non-agriculturists; by 1940 more than one-third of the land was in the hands of non-agriculturists. The situation was much more acute in Lower Burma than in Upper Burma. Official figures indicate that out of a total area of 4.5 million hectares of land under cultivation in Lower Burma by the end of 1947, roughly half was in the possession of non-agriculturists, most of whom were absentee landlords.[1] Relative to other ECAFE countries, rents were not exceptionally high, averaging from one-third to two-fifths of the gross produce,[2] but there was no security of tenure, the standard tenancy being an annual one. Earlier attempts to give a higher degree of security to tenants, to fix a "fair rent", or to prevent the transfer of land to non-agriculturists had failed.[3] Since the war, especially after the country gained independence, the popular urge to reform the agrarian system has been strong. In October 1948, the Burmese Parliament adopted the Land Nationalization Act, which provides that the State shall resume possession of all agricultural lands held by non-agriculturists. As regards lands held by agriculturists, all but one or two per cent are excluded from the scope of nationalization.[4] The compensation for land nationalized is small, in the majority of cases being limited to twelve times the annual land revenue assessable on the land plus compensation for "constructional improvements". The lands so nationalized are to be distributed to the tenants: normally one yoke acreage of land (four to six hectares) shall be allotted to each agriculturist family with at least one able-bodied adult, but two yoke acreages may be allotted to a household consisting of more than four adults who are capable of working the area. According to the official estimate, there will be sufficient land for redistribution to the tillers, and there may also be a margin for allotment to the agricultural labourers. However, no agriculturist family will be allotted any land "unless one or more members thereof join or undertake to join a co-operative organization approved by the State", so that the agriculturists can borrow funds and sell the produce of the land through co-operative organization.[5] In 1948 and 1949, no substantial action was taken under this Act. In 1950 the Government began to take steps to apply the Act to Syriam, Mandalay, Amarapura, Tharawaddy, Kyaukse, Henzada and Insein. By May 1950, some 24,000 hectares of land had been redistributed in Syriam.

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[1] The situation is better in Upper Burma. The official figures for 1947 show that out of a total area of 3.3 million hectares only 0.4 million were held by non-agriculturists.

[2] The normal rent before the war was 16 baskets of paddy for an acre of land producing 40 baskets. The rents on the whole were sufficiently high to be burdensome; and the use of large measuring baskets by the landlords, onerous conditions as to delivery and quality, etc., also added heavily to the tenants' burdens.

[3] The Tenancy Act of 1938 and the Land Alienation Act of 1940.

[4] The Act provides that agriculturists will be allowed to retain up to fifty acres in the case of rice land, twenty-five acres in the case of dry land and ten acres in the case of alluvial or *kaing* land. Inasmuch as 98 to 99 per cent of the agricultural population hold less than fifty acres of rice land and very few persons hold more than twenty-five acres of dry land or ten acres of alluvial land, most of the agriculturists are left out of the scope of nationalization. Land cultivated with garden or orchard crops, rubber estates, and religious lands, will be exempt.

There are no generally accepted data on the pre-war agrarian structure of *China,* but there is no doubt as to its general character. According to an estimate on which communist authorities based their policy, 70 to 80 per cent of the arable land was owned by landlords who accounted for about 10 per cent of the rural population, leaving 20 to 30 per cent of the arable land to the remaining 90 per cent of the rural population. According to other estimates the distribution of farm tenancy in 1946 was as follows: owners 40, part-owners 25, and tenants 35 per cent.[6]

Agrarian movements aiming at an equitable distribution of land have had a long history in China. Both the Kuomintang (Chinese Nationalist Party) and the Chinese Communist Party have endorsed the principle that "to the tiller belongs the land". The First National Convention of the Kuomintang in 1924 adopted a resolution providing for a 25 per cent reduction in agricultural rent. Since the usual rent is 50 per cent of the main crop, a reduction of 25 per cent of the existing rent means a reduction of rent to 37.5 per cent of the main crop. Although this decision was incorporated into the Land Law by the National Government in 1930, it was not enforced. Immediately after the war, the National Government of China again ordered a 25 per cent rent reduction, but this order was not enforced to any great degree. Since 1949 a programme to reduce rent to 37.5 per cent of the main crop has been carried out in the island of Taiwan (Formosa), which is under the administration of the National Government of China.[7] According to official reports, in the two-year period ending

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[5] See Government of the Union of Burma, *The Land Nationalization Act, 1948.*

[6] National Agricultural Research Bureau, Ministry of Agriculture and Forestry of the National Government of China.

[7] According to an estimate for 1948, tenants constituted 67 per cent of the farming population in Taiwan (27 per cent part-owners and 40 per cent without land) and owners 33 per cent. Rents were high, normally 55 to 60 per cent of the main crop.

May 1951 rice production had increased considerably, the price of farm land had declined by 30 per cent, and 6,000 farming households had acquired 3,000 hectares of land. In the middle of 1951 a new land law was adopted reaffirming the limitation of land rent to the maximum rate of 37.5 per cent of the main crop and providing that (1) a lease is to be fixed for at least six years; (2) no rent is to be paid when the crop yield falls below a certain limit; (3) no transfer of lease is permitted, and (4) in the purchase of land, tenant farmers shall have priority. In addition, public land on the island is to be offered to tenant farmers on a ten-year instalment payment plan, the annual payment to be fixed at not more than 37.5 per cent of the main crop.

The Central People's Government of the People's Republic of China has undertaken a large-scale land reform. However, even before the establishment of the Central People's Government, the communist authorities had carried out land reform in one form or another in the areas under their administration ever since 1928. Their policy has been one of transferring to the tillers the land owned by the landlords. In the period immediately after the war, in the areas under the control of the communist authorities, the land belonging to the landlords and rich peasants, and occasionally that belonging to the middle peasants was confiscated and redistributed among the small and the poor peasants as well as among the landless farm labourers.[8] In September 1947, a national agrarian conference was held, which adopted the Basic Programme of the Chinese Agrarian Law. The Basic Programme legalized the redistribution of the land which had already taken place and laid down the guiding principle that land ownership should be equalized by averaging the two extremes (the landlords and rich peasants on the one side and the landless and land-poor peasants on the other) with the "middle peasants" kept intact.

In order to keep the middle group intact and to encourage production, certain differences in landholdings were permitted. The Basic Programme also provided that the commercial and industrial enterprises belonging to the landlords and the rich peasants were excluded from the scope of confiscation and redistribution and that only the agricultural lands and other means of agricultural production[9] were to be confiscated. The land so distributed was to be the personal property of the recipients, to whom the Government would issue deeds of ownership. Usually the lands belonging to the landlords, the surplus land of the rich peasants, and all public lands in a village were taken over by the local peasants' association, which in turn distributed them to the poor peasants (the landlords and their families would also be given a share of land). In April 1949, when the area under the administration of the communist authorities was expanding rapidly, a proclamation was issued to the effect that land redistribution would not be immediately carried out in the "newly liberated areas" but that reduction of rent would be carried out first. For these areas, there would be a 25 per cent reduction of rent, with 37.5 per cent of the main crop as the maximum limit; rent would be collected after and not before harvesting of crops; and tenants would be exempted from the payment of unpaid rent falling due before "liberation".

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[8] The following concepts of the rural classes of population have been used by the communist authorities: A landlord is defined as one who owns land, does not participate in cultivation (except subsidiary operations) and thus lives on exploitation (rent, usury, and hiring of labour). A rich peasant is one who owns and labours on land, but 25 or 30 per cent of whose total income is derived from exploitation (principally in the form of hiring agricultural labourers but possibly also in the form of rent and usury). A middle peasant is one who owns or leases land, possesses adequate means of production other than land and whose livelihood is derived entirely or principally from his own labour. A poor peasant is one who may or may not possess land, does not possess adequate means of production, and is subject to exploitation through payment of rent and interest and through employment as an agricultural labourer. An agricultural labourer is one who does not possess land or other means of production, but who depends for his living principally or completely on the sale of his labour.

[9] Including animals, agricultural implements, grains, etc.

By the end of June 1950, redistribution of land had been completed in both the north-east (Manchuria) and the greater part of the north, covering an area having a rural population exceeding 140 million. In the north-east land distribution began in July 1946 and was completed in the spring of 1949, the land distributed totalling 2.5 million hectares. The peasants received on the average one-fifth to one-half hectare, in addition to horses, draft animals and other means of production. In the north, about 25,500 out of 33,500 villages had completed land distribution by the end of April 1950. In other areas, the movement of rent reduction was vigorously extended. In many provinces, about one-half of the agricultural population had been affected by rent reduction in the middle of 1950.

On 30 June 1950, the Central People's Government promulgated the Land Reform Law. On the whole, this new law is more moderate than the 1947 Basic Programme in that the land owned by rich peasants which is cultivated either by themselves or by hired labour will not be subject to requisition,[10] and the land owned by small lessors will be exempt from confiscation, provided the holding does not exceed twice the average *per capita* landholding in the locality. Under the new law, therefore, confiscation is confined to landlords' land[11] and public land.

In the winter of 1950/1951, land distribution under the new law was extended from the north to central, south, south-west and north-west China. In the latter areas, land distribution by the middle of 1951 had been completed in 500 counties with a rural population exceeding 130 million. Official reports indicate that 80 million poor peasants in these areas obtained almost 10 million hectares of land, averaging one-eighth hectare *per capita.*

Thus by June 1951 land distribution had been completed in areas having a total rural population of about 270 million, or about two-thirds of the total rural population of China. In other areas, rent reduction was carried out in pursuance to the Land Reform Law of June 1950. According to the present plan of the Central People's Government, in the remaining areas, with a rural population of 130 to 140 million, land distribution will be completed by the end of 1952, except in areas inhabited by minority nationalities (with a rural population of about 20 million), which are left to an undetermined future date.

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[10] In most areas, the rich peasants are allowed to retain small portions of the land rented out by them.

[11] Including draught animals, farm implements, surplus grain and surplus houses owned by landlords, but excluding other properties.

In *India,* over two-thirds of the farming population are tenant cultivators and agricultural labourers, only a small per cent being rent receivers.

The systems of land ownership and land tenancy are complicated. The main types of land tenure systems in India are as follows: (*a*) the permanently settled *zamindari* (estate system) prevailing in most of West Bengal, Bihar, about one-half of Orissa and about one-third of Madras and a small proportion of Assam and the United Provinces; (*b*) the temporarily settled *zamindari* prevailing in the Uttar Pradesh, Madhya Pradesh, one-fourth of Orissa and in some other states; and (*c*) the *ryotwari* system (a form of individual ownership) prevailing in the rest of the country, subject to some local variations.[12] The *zamindari* systems were established at the end of the eighteenth century, when the East India Company converted the rights of tax collectors into rights of ownership over the land and large properties were handed over to the new owners, subject only to the payment of a land revenue to the government. Under the permanently settled type, the land revenue is fixed in perpetuity; under the temporarily settled type, it is revisable. Under both types, the holder or owner of the estate is responsible for the payment of land revenue and there often exists more than one intermediary between the government and the actual cultivator. Under the *ryotwari* system, the right of ownership belongs mainly to the actual cultivator or occupant, who is responsible for the payment of land revenue. In recent years, however, some *ryotwari* land has become concentrated into large estates and there is a tendency to lease out part of them to small tenants. Tenants may be divided into two main types: the occupancy tenants, with an inheritable right of occupation, and the tenants-at-will, with little security of tenancy. The rents paid by the tenants are high, usually amounting to one-half of the gross produce, in addition to numerous extra-legal levies which sometimes equal 25 per cent or more of the rents. One of the causes responsible for the high rents is the existence of several intermediaries, or tenure holders, between the landlord and the cultivator, mainly under the *zamindari* system.

While it is the declared policy of the Government of India (and of the Congress Party) to carry out programmes of agrarian reform, land reform legislation has been left mainly to the individual provincial governments.

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[12] Prevalent in certain parts of Uttar Pradesh, Punjab and Madhya Pradesh is the *mahalwari* system (a joint village system) under which a village area is jointly owned by a group of families and the individual cultivators are jointly and severally liable for land revenue.

The laws introduced in the various provinces have applied almost entirely to *zamindari* lands and have two principles in common: the abolition of intermediaries between the State and the cultivator, and the payment of compensation to landowners. In a number of provinces, the *zamindars* and other intermediaries between the State and the actual cultivators are being eliminated and in their place the *ryotwari* system is being introduced. A maximum landholding limit, varying from 20 to 100 hectares, has been stipulated by some provinces; and some laws prescribe that the landholding must be cultivated by the landlord himself. Compensation to be paid to the landowners for the lands taken over by the State is computed mostly on the basis of existing rents (sometimes on that of reduced rents). The actual rates of compensation vary from 3 and 9 rupees per acre respectively in Madyha Pradesh and Madras to 38 rupees in Bihar. The total sum which will be payable as compensation in various forms is estimated to amount to Rs. 4,140 million if the land reform programmes are implemented in Madras, the Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal, Orissa and Assam, covering an area of approximately 70 million hectares of land.[13] In Bihar, where the rate of compensation is highest, it is estimated that it will take twenty years to pay up the full obligation, whereas in Madras, where the rate is low, it is expected that the entire obligation will be met in the course of three years.

Steps have also been taken in some provinces to protect the tenants and to provide for their security. The Bombay Tenancy and Agricultural Lands Act of 1948, which has been adopted with some modifications in Hyderabad and Saurashtra, was the most far-reaching tenancy measure introducing the system of long leases. It is laid down therein that no lease will be for less than ten years. This Act also confers permanent tenancy on a large number of tenants, called "protected tenants", who are also given rights to purchase land at fair prices determined by the Agricultural Lands Tribunal. The Act also places certain restrictions on sub-letting, leases and transfers of land with the object of improving the state of agriculture. It also provides that the State can assume management of any land when it is left uncultivated or is inefficiently cultivated. The Act applies not only to *zamindari* but also to *ryotwari* land. In West Bengal an act was adopted providing for the establishment of rent-fixing conciliation boards. The land acts and bills adopted by provincial governments also seek to simplify the large variety of tenure systems and to incorporate long-term reforms, such as the creation of economic holdings and the discouragement of share-cropping, etc.[14]

The present programmes of land distribution, if fully implemented, will affect half the total cultivated area of the country. However, the enforcement of various land-reform programmes, especially land-reform acts seeking to abolish the *zamindari* system, has been delayed by legal difficulties,[15] as well as by the large amount of compensation involved and by other handicaps. Even without these difficulties, the full implementation is likely to take a number of years and it is therefore too early to estimate its effects at this stage.

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[13] A. N. Vij, "Financial Aspects of the Abolition of *Zamindari*". *Reserve Bank of India Bulletin,* June 1950, Vol. IV, No. 6, p. 384.

[14] There has been a great deal of legislation with the object of increasing production of agricultural commodities. This legislation generally deals with measures for consolidation of holdings, prevention of fragmentation, cultivation of fallow lands, crop planning and preparation and distribution of farm requirements such as manure, fertilizers, seeds, etc.

In *Japan,* 46 per cent of the cultivated land in 1944 was operated by tenants who paid rentals amounting to half or more of their annual crops.[16] In a formal memorandum dated 9 December 1945, the Supreme Commander for the Allied Powers requested the Japanese Government to prepare a programme of rural land reform covering (*a*) transfer of land ownership from absentee landowners to land operators, (*b*) provisions for purchase of farm lands from non-operating owners at equitable rates; (*c*) provisions for tenant purchase of land at annual instalments commensurate with tenant income; and (*d*) provisions for reasonable protection of former tenants against reversion to tenancy status. In October 1946, after considerable discussions, the Land Reform Law was enacted, which consisted of two complementary statutes, namely the Owner Farmer Establishment Special Measure Law and the Agricultural Land Adjustment Law. The main purpose of the former is to extend the ownership of agricultural land to the cultivators. It requires the government to purchase (1) all tenant lands owned by absentee landlords, (2) tenant lands owned by resident landlords in amounts exceeding an average of one *cho*[17] (four *cho* in Hokkaido), and (3) the total of tenanted and self-cultivated lands owned by any one party in amounts exceeding an average of three *cho* (twelve *cho* in Hokkaido), except in cases where it can be proved that the farmer has sufficient labour to cultivate a larger area or that sub-division would result in decreased production.[18] Ten-man village land commissions elected by landlords, owner-cultivators and tenants, and twenty-man prefectural land commissions were to be established to assume the responsibility of making decisions regarding the transfer of land. The purchase price to be paid for the land by the government would be: for paddy fields, forty times the rental value recorded and established for tax purposes; for ordinary fields, forty-eight times the recorded rental value. Land so acquired is to be sold to the tenant farmer who cultivates it or to others likely to devote their time to cultivation. The buyer is allowed to pay for the land by annual instalments within a period of thirty years at 3.2 per cent interest. The Agricultural Land Adjustment Law aims at stabilizing the status of cultivators. Under its provisions, transactions involving rights to agricultural land (ownership, lease, etc.) without permission from the proper authorities would be illegal. The lessors are not allowed to terminate, refuse, or rescind leases of agricultural land without prior approval of the local land commission and unless a six-months to one-year notice has been given. Land value in any transaction of land must not exceed the government price. Rent on agricultural land is to be contracted in cash and will normally not exceed 25 per cent of the total value of the crop for paddy fields and 15 per cent for upland fields.

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[15] Enforcement of acts to abolish the *zamindari* system was delayed in some provinces after the Patna High Court in March 1951 held the Bihar Land Reforms Act of 1950 (providing for the expropriation of large estates) as unconstitutional on the ground that it transgressed article 14 of the Constitution, which lays down that "the State shall not deny to any person equality before law or the equal protection of the laws within the territory of India". On 2 June 1951, however, the Indian Parliament adopted an amendment to the Constitution permitting the states to make special provision for the advancement of any socially or educationally backward classes of citizens and thus to take action to reform the agrarian system, such as the abolition of the *zamindari* system.

[16] The farm areas in 1938 were managed as follows: (*a*) 29 per cent by owners; (*b*) 51 per cent by part-owners or part-tenants; and (*c*) 20 per cent by tenants. Thus if we add part-owners and tenants together, over 70 per cent of the cultivated land was either partially or wholly operated by tenants.

[17] One *cho* is slightly less than one hectare.

[18] The Central Agricultural Land Commission is empowered to set the maximum under (3) for different localities in such a fashion that the average for the whole country would remain at three *cho* (twelve *cho* for Hokkaido).

The land-reform programme, as originally planned, was completed in about two years. The reform was achieved with little disturbance to the existing farm management. By 31 March 1949, about 1.8 million hectares of cultivated land (one-third of Japan's total) had been purchased by the government, and 3 million farmers (representing half of all farm households) had acquired land under the reform programme. As a result, about 70 per cent of the cultivators are now owner-farmers and only about 5 per cent own less than 10 per cent of the land they operate. The size of the tenant-operated land has been reduced from 46 to 12 per cent of the total cultivated land.

In *Korea*, there was a high concentration of land ownership, as evidenced by the fact that two-thirds of the rural land was in the hands of 2.5 per cent of the total farm families and that about nine-tenths of the rural land was owned by a little over 20 per cent of total farm families. About half of the farming population did not own any land; another third were part-tenants, owning only a very small area of land. Rents averaged 55 to 60 per cent of the total yield, and the tenants, after deducting rents and cultivation expenses, were left with only 20 to 25 per cent of the crop. In North Korea, land reform began in March 1946 and was a rather thorough-going operation; it involved the confiscation of nearly 1 million hectares of land owned by the landlords and rich peasants for redistribution to 725,000 landless peasants and small holders. The peasants received the right to cultivate but not to own the land and are required to pay a land tax amounting to 27 per cent of the rice crop. In South Korea, no concrete step was taken before the middle of 1949, except that some 240,000 hectares of land owned by the Japanese were confiscated and sold to 500,000 tenants in 1948. In June 1949, the Land Reform Law was promulgated, and under its provisions some 0.7 million hectares were to be taken over and distributed to the tenant farmers. The compensation to the landowners was to be 30 per cent of the annual average production for a period of five years. Up to

March 1951, according to official figures, 0.4 million hectares (or 18 per cent) of the total cultivated area in South Korea had been distributed and 1.2 million tenants had received land.

In *Pakistan,* land tenure is similar to that in India, with the *zamindari* system prevailing in East Pakistan and the *ryotwari* system in West Pakistan. As in India, land-reform measures are left almost entirely to the provincial governments. In East Pakistan, land reform has been concentrated on the abolition of the *zamindars* and other intermediaries between the state and the cultivator. The East Bengal State Acquisition and Tenancy Bill of 1950 provides that the actual cultivators will be brought into direct relation with the Government by the acquisition of all rent-receiving interests in land (i.e., by the abolition of all intermediaries between the Government and the cultivators) so that the government as a sole landlord may be in a much better position than any individual landlord to initiate development measures with a view to improving the conditions of the tillers of the soil and increasing agricultural production. It is planned to spend a sum of Rs. 620 million for acquisition, to be financed by twenty-year loans from the Central Government and forty-year bonds. In West Pakistan, land-reform measures have been concentrated on improving the tenure system and giving the cultivators security of tenure. The Sind Tenancy Act of 1950 and the Punjab Protection and Restoration of Tenants Rights Act of 1950 protect certain tenants from being ejected. Statutory action has also been taken in the Punjab to put an end to the recovery of objectionable dues from tenants. In the North-West Frontier Province, a Tenancy Act was promulgated in 1949 which, on the one hand, enables the occupancy tenants to make payments to the landlords and become owners of the land they cultivate and, on the other hand, makes provisions for the tenants-at-will relating to forced labour, ejectment and crop-sharing.

In the *Philippines,* the distribution of land ownership is quite uneven, as evidenced by the existence of a great number of large estates. About 35 per cent of the farming population are tenants, who normally pay half of the crop as rent. In 1946, the "70-30 Crop-Sharing Law" was promulgated, aiming at limitation of rural rent to 30 per cent of the crop, provided that all expenses of cultivation are borne by the tenant. This law, however, has not been implemented to any great degree. In February 1951, as a result of the Bell Report's recommendation that a programme of land distribution should be undertaken through the sale of large estate land to small farmers,[19] the Office of Economic Co-ordination appointed an Advisory Committee on Large Estate Problems to study the question. In its report presented in April 1951, the Committee generally endorsed the Bell Report's recommendation, suggested the creation of a new body for "carrying out an effective landed-estate programme" and expressed the opinion that "unless the actual — not the legal — relationship between landlord and tenant is made more favourable to the tenant, the landed-estates programme alone will be of little help in solving the over-all problem of dangerous agrarian unrest".

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[19] *Report to the President of the United States by the Economic Survey Mission to the Philippines,* Washington, October 1950, page 4.

PART II

THE ECONOMIC SITUATION DURING THE YEAR

CHAPTER VIII

Food and Agriculture[1]

INTERDEPENDENCE OF AGRICULTURE AND INDUSTRY

In economic development, agriculture and secondary industry are each essential to the other. Elastic, but none the less real, limits are placed upon he progress in either sector if there is not simultaneous growth and improvement in the other sector. An increasing urban population requires an increased surplus of food over the consumption needs of the producers; it also requires a growing output or import of raw materials for the industry rom which the urban population earns its living. Agriculture in turn needs rom industry, if it is to develop past a semi-subsistence economy with primi-ive techniques, the machinery and supplies necessary for efficient produc-ion and marketing and also a stable and reasonably prosperous market. Some of the principal factors in this relation of mutual dependence, which would be closer in relatively more developed countries, are discussed in his section.[2]

Supply of Raw Materials to Industry

Cotton, wool, jute and rubber are all important products of the region but their significance for the region and for the world varies. About one-ifth of the world cotton crop is grown in the Far East, but the area is a deficit one (the import requirements of Japan, India, and China more than offsetting the export availability of Pakistan) and the global cotton supply equirement situation has an important bearing on it. In the case of wool, production is mainly in coarser, carpet types, and although there is an export surplus (from the Indo-Pakistan sub-continent), there is a sizable mport requirement for apparel wools for Japan. On the other hand, the egion dominates the world supply situation in the case of both jute and ubber. Almost all of the former commodity is produced in the Indo-Pakistan sub-continent and 90 per cent of the latter commodity in south-east Asia. About one-third of the production is exported from the region as aw jute and a further third is shipped as jute manufactures. The bulk of ubber production is exported.

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[1] Prepared by the Food and Agriculture Organization of the United Nations.
[2] For a detailed description on land reform, see the note on the subject on pp. 182-191.

The area's cotton deficit, although reduced by larger domestic crops in 1950/51 (in China, India, and Pakistan), is aggravated by the world cotton shortage. Supply from outside the area is restricted and there has been increasing pressure for supply from Pakistan. Trade agreements between Pakistan and Japan in November 1950 and between Pakistan and India in February 1951, have secured a substantial flow of cotton, but it is doubtful whether the over-all supply of cotton in 1950/51 in the chief textile-producing centres of the region will be commensurate with their expanding textile production facilities and the demand for textiles from them. Cotton prices in Karachi, the chief world market of the region, advanced steeply and export taxes increased fivefold in both Pakistan and India during the second half of 1950.

The year 1950 has seen a marked advance in prices of Indian (carpet) wools and export taxes in Pakistan and India have been increased. Th rate of export of such wools in 1950 was about 50 per cent higher than i 1949. On the other hand, the rate of import and consumption of appare wools in Japan was stepped up in 1950 following the conclusion of th 1949/50 sterling area trade agreement which gave Japan greater acces to Australian wools. It has been tentatively estimated that Japanese woo consumption in 1950 will reach 50 per cent of the pre-war volume. Althoug stocks were on the increase during 1950, the ultimate outlook for consumption seems to depend on availability of wool.

Since about two-thirds of jute production is located in Pakistan an two-thirds of jute manufacturing facilities in India, the movement of jut fibre from Pakistan to India is an important factor in the world jut industry. The trade difficulties between the two countries, following th devaluation of sterling, reduced the flow of jute fibre to relatively sma proportions (under special agreements). A scarcity of jute manufacture developed in world markets. Enlarged outlets for jute fibre were develope by Pakistan outside the area and the jute acreage quota for 1950/51 wa reduced to two-thirds of that in 1949/50. In consequence of the conclusio in February 1951 of the Indo-Pakistan trade agreement, the jute situatio is likely to be radically different in 1951/52. No information is availabl yet concerning the Pakistan jute acreage, but it may be assumed that th redevelopment of normal trading in volume between Pakistan and Indi will have a positive effect on this and on the supply of jute manufacture in world markets.

Supply of Farm Implements and Fertilizers to Agriculture

Farm implements

Supplies of most forms of farm equipment from the United States, whic has been consistently the largest supplier to the countries of the Far Eas were generally available in fair volume and with quite prompt delivery du ing the first half of 1950. Most of the procurement difficulties which ha interfered with the availability of farm machinery during 1949 and the preceding years had disappeared. Increased supplies were also available from the United Kingdom and from Europe.

The supply situation has deteriorated since July 1950. Controls on the use of steel became effective in the United States from mid-February, 1951, and were expected to have the effect of a reduction of approximately 25 per cent in United States production during the first half of the year, compared with 1950 levels, with prospects for continued reduced output. More precise regulation of raw material supplies is aimed at in the second half of 1951, based on more detailed consideration of availabilities and priorities, but it is unlikely that this re-examination will result in any immediate marked increase in output of farm machinery.

Exports are directly affected by these reductions, but it seems to be the policy of manufacturers to export the reduced volume to various markets in the same proportion as previously.

Diversion of raw materials is also affecting manufacture of farm equipment in the United Kingdom, and to varying degrees in other supplying countries.

Fertilizers

Consumption of commercial fertilizers in 1949/50 in ECAFE countries and Japan continued its upward trend and reached a record total of 1.15 million metric tons, plant nutrient content. Of this total, 61 per cent was nitrogen (N); 27 per cent superphosphate (P_2O_5); and 12 per cent potash (K_2O). With the exception of China (Taiwan), every country in the region exceeded pre-war consumption levels. Estimates for 1950/51, made before the outbreak of hostilities in Korea, indicated an expected increase of about 8 per cent above 1949/50.

Table 26 shows estimates of consumption of commercial fertilizers in 1949/50 and 1950/51 by countries in the ECAFE region and Japan, as reported by governments in the spring of 1950.

The chief constituent of the fertilizers used in the ECAFE countries s nitrogen, which is required more than any other element. Even if the use of one plant nutrient increases the crop yield, it may accelerate the deficiency of another. Thus, it is necessary to maintain a balanced plant nutrient supply in relation to the plant nutrients contained in the soil and the supply added to the land. The average ratio of the three plant nutrients for the ECAFE region as a whole in 1949/50, assuming N to be 1, is 1 to 0.3 to 0.09. This is in contrast to a ratio in South Korea of 1 to 0.5 to 0.16 and in Japan of 1 to 0.5 to 0.3. Currently available experimental data are insufficient on which to base any definite or best ratio of these three major plant nutrients. Indications are, however, that the present over-all ratio of 1 to 0.3 to 0.09 is too low in phosphoric acid and potash for a permanent agriculture. It is quite possible that a ratio in the order of 1 to 0.7 to 0.3,

Table 26. Consumption of Commercial Fertilizers

(Metric tons)

Country	*1949/50 Preliminary*				*1950/51 Outlook*			
	N	P_2O_5	K_2O	*Total*	*N*	P_2O_5	K_2O	*Total*
Burma	30	50	–	80	40	60	–	100
Ceylon	14,500	3,600	7,700	25,800	14,500	3,600	7,700	25,800
China (Taiwan)	39,310	11,570	190	51,070	54,340	21,920	3,000	79,260
India	114,060	10,930	960	125,950	113,000	16,000	960	129,960
Indonesia	4,990	2,100	600	7,690	5,000	2,100	600	7,700
Pakistan	5,000	160	–	5,160	5,500	160	–	5,660
Philippines	14,000	8,450	110	22,560	16,000	8,500	110	24,610
South Korea	100,000	50,000	16,000	166,000	125,000	50,000	20,000	195,000
Thailand	800	–	–	800	800	–	–	800
TOTAL, ECAFE	292,690	86,860	25,560	405,110	334,180	102,340	32,370	468,890
Japan	411,000	221,000	116,500	748,500	406,000	250,000	120,000	776,000
TOTAL, AFE	703,690	307,860	142,060	1,153,610	740,180	352,340	152,370	1,244,890

Source: FAO Commodity Report, *Fertilizers*, 10 August 1950.

or in some soil and crop areas possibly higher than this, will become necessary as the use of fertilizer nitrogen continues, and especially as the use of nitrogen increases.

In spite of the upward trend in consumption, increased quantities of fertilizers are therefore needed for two purposes: to increase the absolute tonnage, and to balance better the plant-nutrient ratio used.

While estimates based on present knowledge look to a more ideal utilization, current over-all use in most countries is admittedly much below agronomic requirements. Differences in climatic conditions, the amount of land under irrigation, the amounts of plant nutrients already in use from natural organic sources, and many other factors which vary considerably from one country to another, have to be taken into account.

Efforts are being made in some countries to improve the supply position by expanding domestic production. Table 27 shows the production of nitrogen and phosphoric acid in the ECAFE region and Japan for 1938/39, 1949/50, and 1950/51. Only negligible quantities of potash are reported.

Production of nitrogenous fertilizers in 1949/50 in the ECAFE region and Japan was 358,000 m.t.N, about 40 per cent above pre-war. In 1950/51, it is expected to total 404,500 m.t.N, exclusive of initial production of token quantities from the Sindri plant in India. A small increase in production in India is possible from the unused capacity of the plants now in operation. The rated capacity of the Sindri plant upon completion is 70,000 m.t.N annually.

Production of phosphoric acid, chiefly in the form of superphosphates (18 per cent P_2O_5) has been increasing in recent years, and is approaching pre-war levels (see table 27).[3] Difficulty in obtaining raw materials and sulphuric acid keeps production below capacity in India, Japan, and China.

Table 27. Production of Commercial Fertilizers

(Metric tons)

	Nitrogen			*Phosphoric acid*		
	1938/39	*Preliminary 1949/50*	*Outlook 1950/51*	*1938/39*	*Preliminary 1949/50*	*Outlook 1950/51*
China	18,450[a]	3,720[b]	9,500[b]	4,270	6,590[b]	7,920[b]
India	5,200	10,900	13,000[c]	640	10,930	16,000
South Korea.....	–	–	–	–	1,000	1,000
TOTAL, ECAFE	23,650	14,620	22,500	4,910	18,520	24,920
Japan	256,210	343,420	382,000	269,110[a]	220,300	250,000
TOTAL, AFE...	279,860	358,040	404,500	274,920	238,820	274,920

Source: FAO Commodity Report, *Fertilizers,* 10 August 1950. United States Department of Agriculture Misc. Pub. No. 593, *Prewar World Production and Consumption of Plant Foods in Fertilizers.*

[a] 1936/37.

[b] Taiwan.

[c] Excludes token shipments from new plants.

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[3] See *infra,* chapter IX on "Mining and Industry".

Plans for increasing production of chemical fertilizers, particularly nitrogen, are being advanced in many countries in the region. Among these are ammonium sulphate plants in the Philippines, the Republic of Korea, and Pakistan. The capacity of these plants, as now reported, has been set at 10,000, 50,000, and 20,000 tons of nitrogen respectively. The Government of the Philippines is also planning to produce superphosphates.[4]

At the same time, considerable progress is being made in the improved utilization of readily available and familiar organic materials which will continue to be the major source of plant nutrients in the region. These materials include oilcake, bonemeal, guano, compost, and manures. India has taken action under the Town and Village Compost Scheme to develop the production of these materials. Similar programmes are being formulated in Ceylon, Malaya, and Pakistan. Composting is an old and well-understood process in China, Japan and Korea.

Migration of Rural Labour to Industry

With the exception of Japan, and to a lesser extent India, Korea, and China, progress towards industrialization in the AFE region has been very slow. Consequently, except in the countries noted above, there has not yet been any marked change from the traditional preponderance of agricultural population in the total population. One interesting feature of the migration of rural labour to the towns has been the tendency in many instances for the worker to retain a close economic or family connexion with the village. This makes it easier for workers to leave industry for agriculture when employment conditions in the cities are poor. It is interesting to note, for instance, that in Japan the proportion of the labour force in agriculture, forestry, and fishing increased from 58 per cent in 1948 to 59 per cent in 1949.

In most countries of the region it is difficult to obtain data on recent movements of rural population to industry (or *vice versa*). It appears, however, that the rural areas are generally capable of supplying large numbers of workers for industries, even without extensive mechanization of farm processes. In spite of the fact that shortage of labour is felt in many districts during the periods of peak work-load, such as planting and harvesting times, there is throughout a large part of the region chronic under-employment of the rural labour force. To some extent this under-employment is inherent in farming operations, except in the case of true mixed farming, but the further development of secondary and tertiary industries could draw off a part of the rural workers in many areas without causing any decrease in agricultural production, even at present levels of technology. In many instances the drawing off of a portion of the labour force would result principally in providing more working hours per year for the remaining labour force and higher agricultural incomes per head.

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[4] These programmes are described in ECAFE, *Report on the Economic and Social Aspects of Production and Utilization of Chemical Fertilizers in the ECAFE Region* (E/CN.11/I&T/33 dated December 1950).

Nevertheless, the possibilities for the development of industry in the region must ultimately come up against limits in the labour supply, especially if larger changes are not brought about in the organization and technology of farming. The interdependence of agricultural and industrial development rather than the priority of either over the other needs to be emphasized in this connexion. In the short run, as pointed out above, agriculture can supply a limited labour force for secondary industry and actually obtain some benefit from doing so. But in the meantime, only the stimulus which a developing secondary industry can provide to agriculture, by way of tools, fertilizers, transportation, marketing facilities, and an increased and more varied demand, can bring about the fundamental changes in agriculture which are necessary if really large-scale migration of rural labour to industry is to be possible.

Table 28. Food Supplies available for Human Consumption
(Kilograms *per capita* per annum at the retail level)

	Cereals	*Starchy roots*	*Pulses*	*Sugar*	*Fats*	*Meat*	*Eggs*	*Fish*	*Milk*	*Vegetables*	*Fruits*
Ceylon											
1934-38	129.0	46.0	61.5	12.4	3.8	8.3	0.5	12.0	8.4	40.4	1.2
1948/49	102.0	37.8	61.7	13.3	3.6	2.3	0.4	7.5	8.7	39.5	1.2
1949/50	101.9	36.8	61.9	16.2	6.1	2.6	0.5		9.7		
China (22 Provinces)											
1934-38	171.6	30.1	25.3	1.2	6.3	12.9	1.5	2.8		56.5	
1948/49	165.1	39.1	24.1	1.0	6.9	11.0	1.4				
1949/50	153.0	35.5	21.6	1.0	6.7	11.0	1.4				
ndia[a]											
1934-38	142.8	7.7	22.0	14.1	2.5	3.0	0.4	1.6	64.7	25.0	26.2
1948/49	109.9	6.0	21.1	13.0	3.0	2.3	0.1	1.1	45.9	16.3	25.1
1949/50	119.1	6.5	19.9	12.6	3.3	2.3	0.1	1.2	45.2		
ndochina											
1934-38	143.5	18.2	4.7	6.8	2.2	13.6	3.0	10.0	6.5	71.0	48.4
1948/49	116.0	16.4	4.2	3.4	1.2	5.0	1.5		2.9		
1949/50	124.6	17.2	4.3	4.1	1.4	5.4	1.6		3.3		
ndonesia											
1934-38	129.5	130.9	7.2	5.5	6.0	4.6	1.5	4.4	0.5	43.8	16.4
1948/49	111.7	112.4	7.3	0.7	5.9	4.1	1.4		1.1		
1949/50	119.8	117.6	7.8	1.9	6.1	4.1	1.4		1.6		
hilippines											
1934-38	127.4	25.9	17.2	12.9	6.3	16.6	2.8	17.0	7.3	14.8	61.4
1948/49	131.8	38.0	17.7	12.0	7.0	12.5	2.1		8.6		
1949/50	131.4	30.6	17.9	11.7	7.1	14.0	2.6		9.2		
apan											
1934-38	168.0	62.8	7.7	14.4	1.9	3.8	2.9	35.3	4.5	79.2	16.4
1948/49	147.9	60.3	1.0	5.7	0.5	1.7	0.4	28.3	2.7	69.1	10.9
1949/50	156.9	65.6	1.8	2.5	0.9	2.0	0.5	26.9	3.9	66.3	11.5

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[a] Includes Pakistan for 1934/38.

FOOD CONSUMPTION AND NUTRITIONAL LEVELS

The slight improvement in the *per capita* food supplies which was reported in the 1949 *Survey* has apparently continued during the year under review. In a number of countries some further improvement can be reported, though the same cannot be said with regard to the rest. The conditions in a few countries have deteriorated considerably owing to political or other causes. Data on food supplies in the region as a whole are still neither complete nor accurate. It is, however, possible to estimate the average *per capita* food supplies in 1949/50 for many of the countries in the region, although even in these countries, information on the supplies of some foods, such as milk, fish, vegetables and fruits, is often unsatisfactory or even totally lacking. Available data on the food supplies in seven countries or areas of the region are summarized in tables 28 and 29. Table 28 shows *per capita* annual supplies of foodstuffs available for human consumption at the retail level in categories representing the major food groups for 1949/50, as well as for the year previous to it and the pre-war period. In table 29 the energy and protein content of the same food supplies is shown on a *per capita-per diem* basis. It should be emphasized here that these figures indicate only the average supplies available per head of population in each country and do not represent the actual food intake of either individuals or of different sections of the population concerned.

The average calorie levels during 1949/50 in most countries for which data are available appear to be significantly higher than those of the previous year, indicating an increase in certain types of food supplies. In the majority of these countries, however, the calorie levels are still below the pre-war levels, not to speak of nutritional requirements which were far from being fully met in the pre-war period. Two exceptions may be noted: In Japan the calorie level has almost approached the pre-war figure while in the Philippines the pre-war level was exceeded as early as 1948/49 and the improvement has been maintained in the current year. In general, the higher calorie levels are due to an increase in the supplies of those foods which are of value mainly as sources of energy, namely cereals, roots and tubers and fats and oils. Supplies of cereals increased in many countries during 1949/50; those of roots and tubers did not increase to the same exten during the year but they exceeded pre-war levels in Japan and th Philippines.

While these trends are encouraging, it must be emphasized that throughou the region food supplies continue to be unsatisfactory in the qualitativ sense. The improvement which appears to have taken place relates mainl to foods which may be described as "energy-producing", whereas "protec tive" foods of high nutritive value, especially those of animal origin, ar still scarce. Average diets, therefore, remain unbalanced from the nutritiona standpoint. There have been some recent improvements in a few countrie in this respect, but the general picture remains much the same as befor

Table 29. Calorie and Protein Content of Food Supplies available for Human Consumption

(*Per capita* per diem at retail level)

		Protein (grams)		
	Calories	*Animal*	*Total*	*Remarks*
Ceylon				
1934-38	2192	16.3	55.4	
1948/49	1918	10.6	43.2	
1949/50	2010*	10.9*	43.5*	*Including fish, vegetables and fruits at 1948/49 level
China (22 Provinces)				
1934-38	2226	5.6	70.8	
1948/49	2172*	4.8*	66.5*	*Including fish, vegetables and fruits at 1947/48 level
1949/50	2020*	4.8*	61.8*	
India*				
1934-38	1968	8.3	56.1	*Including Pakistan for pre-war years
1948/49	1621	5.8	42.5	
1949/50	1702**	5.7	43.4**	**Including vegetables and fruits at 1948/49 level
Indochina				
1934-38	1862	8.4	44.7	
1948/49	1462*	4.8*	35.1*	*Including fruits, vegetables and fish at pre-war level
1949/50	1565*	5.0*	37.1*	
Indonesia				
1934-38	2037	4.6	45.5	
1948/49	1760*	4.7*	41.0*	*Including fish, vegetables and fruits at pre-war level
1949/50	1879*	4.9*	42.4*	
Japan				
1934-38	2175	10.4	63.8	*Including unreported production the total calorie supply *per capita* is estimated at 2,050 calories
1948/49	1834*	7.8	49.6	
1949/50	1925**	7.9	52.9	**Including unreported production the total calorie supply *per capita* is estimated at 2,100 calories
Philippines				
1934-38	1918	11.2	44.6	
1948/49	1978*	9.9*	44.9*	*Including fish, fruits and vegetables on pre-war levels
1949/50	1968*	10.5*	45.1*	

Particularly in countries where the average supplies of food are inadequate, it is to be expected that inequalities in their distribution among different sections of the population will lead to serious malnutrition among the poorer sections. This conclusion is borne out by the surveys of diet and the state of nutrition which have been carried out from time to time in a number of countries in the region. Recent surveys in India showed that the average diets of poor families in Madhya Pradesh are deficient in many essential nutrients, and earlier conclusions that the diets are deficient in protective foods have been confirmed in Madras State. Similar surveys in other countries lead to the same general conclusions. However, it has been reported that improvements in the nutritional status of a few small sections of the population have recently taken place in some countries.

Surveys among groups of school children in Ceylon during 1949 indicate that their average heights and weights are greater and that the incidence of deficiency diseases is lower than those recorded in the previous years. Nutrition surveys in Japan, which were started in 1945 and are being continued to cover the entire population by random sampling, have shown a similar trend. The earlier surveys indicated retarded growth and other evidences of malnutrition among children, but during the year 1949 an improvement was noticed among the age group of six to ten years.

As a result of the low levels of food supplies, rigorous policies of food control, involving strict measures for the procurement and distribution of essential foods in short supply, have been followed since the war in some of the countries of the region in which there has been a food deficit. In India, for instance, it has been found necessary to continue measures for the internal collection of food, to import food on a large scale and to ration food grains throughout the urban areas of the country. A policy of self-sufficiency was adopted a few years ago, but a departure from that policy has now been found to be inevitable owing to a series of natural calamities including earthquakes, drought and the destruction of crops by locusts. As a result of the rapidly deteriorating situation, a 25 per cent cut in the basic ration scales, which are already meagre, has recently been imposed throughout the country in order to conserve dwindling supplies. Rationing of staple cereals is the main purpose of existing rationing systems in the region, though other foods also are often included in these systems. Non-self-suppliers in Japan receive rations of sugar, fats and oils in addition to rice rations. Among the commendable features of some rationing schemes is the provision of supplementary rations to cover the special needs of certain groups of the population, e.g., extra rations of cereals for heavy workers in India and of dried skim milk for school children in Japan. Though food rationing has been of particular importance in the deficit countries, it is by no means confined to these. Rice rationing still continues in the southern provinces of Thailand, while sugar and gingelly oil are rationed in most cities and towns of Burma.

In addition to the food rationing system, special feeding programmes for the nutritionally vulnerable groups of the population have proved very useful in ensuring a better distribution of the scarce food supplies, especially of the "protective" foods. School meal schemes, which are the most important among these, have been developed to a considerable extent in the region during recent years, being often facilitated by the provision of food supplies by the United Nations International Children's Emergency Fund (UNICEF). The school feeding programme in the Philippines proved very efficacious and it is regrettable that the scope of the programme has now been restricted for financial reasons including lack of foreign exchange resources. The school lunch scheme in Japan, which was started in 1946, covers about 6 million of the 16 million children of school age for whom education is compulsory, and an additional million children are provided for by voluntary and welfare organizations. UNICEF contributions help to supply milk and other food supplements to large numbers of mothers and children in maternity and child welfare centres in many countries of the region. In addition to the recently initiated programmes, a number of countries have continued to develop previously existing schemes. For example, it is reported from India that school feeding and milk distribution schemes are being continued generally.

These signs are encouraging, but it must be emphasized that the existing measures for improving nutrition are very limited in scope in relation to the tremendous task of preventing malnutrition in the region. Concerted efforts on a much larger scale are therefore essential if any significant improvement in the most unsatisfactory nutritional situation in the region is to be achieved.

Production and Policy Trends

Policy Trends

The dominant aspect of food and agricultural policy throughout the region continues to be the drive to increase food production, particularly in the food-deficit countries, which contain 90 per cent of the population of the region.

The most obvious cause of this concentration on food production is the fact that despite improvement since 1945, food supplies per head are generally lower than before the war. Compared with an estimated production of 245 million tons of cereal before the war (1934/38 average), estimated output has recently averaged 237 million tons (1948 and 1949 average) for a population considered to be about 10 per cent higher. Imports, amounting to 5.6 million net tons of cereals in 1949/50 as compared with net exports of 1.6 million tons of cereals before the war, have gone part way to offset this decline in production. However, food imports of this magnitude represent a heavy drain on reserves and earnings of external currency which are badly needed for the import of capital goods. The necessity for these imports has, therefore, exerted a powerful influence upon governments' agricultural policies.

While the drive for increased food production derives much of its urgency from the general deterioration in supply levels and the cost of food imports, it would be mistaken to attribute it wholly to these causes. Behind it lies the new spirit of dissatisfaction with the age-old condition of poverty and malnutrition which permeates the whole region. Even if food supplies per person were as high as before the war, this spirit would still require that increased production of food should be a primary aim of national policies.

Measures to implement this policy differ considerably from country to country. In few cases, if any, can the measures undertaken to date be considered commensurate with the tasks to be fulfilled. In some countries, chief emphasis is being placed on technical measures to increase crop yields and/or bring additional land under cultivation. Considerable importance is also being attached to institutional changes designed to improve the economic and social status of agricultural producers.

Unsettled political conditions in many parts of the region continue to hamper economic recovery and to contribute to inflationary tendencies. Economic forces working towards inflation have been greatly strengthened by the Korean conflict and the resultant high prices for cash crops may make more difficult the carrying out of policies designed to diversify production and in particular increase production of essential food crops.

The primary emphasis in agricultural production is on food in general and on a few of the major export commodities in particular. Critical shortages of food, especially rice, and its relatively high prices have stimulated both rice-surplus and rice-deficit countries to spare no effort in increasing rice production.

The Government of *India* aims to make the country self-sufficient in food grains and jute and to increase substantially the output of cotton, oilseeds, and sugar. The Integrated Crop Production Plan calls for an increase by 1956/57 of 3 million tons of food grains, 1.5 million tons of oilseeds, 375,000 tons of jute, and 195,000 tons of cotton. Important elements in this programme are the construction of flood-control and irrigation works and the reclamation of waste land. Three large multiple-purpose projects (the Damodar Valley, the Hirakud, and the Bhakra Nangal) on which work is already in progress are expected to bring 2.5 million hectares of new land under irrigation by 1956/57. Reclamation of jungle-lands and areas infested with Kans grass is also expected to add 2.5 million hectares.

In the short run, increases in production are expected to come principally from intensification of production. The Government has given prime attention to increasing supplies of fertilizers. An ammonium sulphate plant is to commence operation in 1951 and other plants are under construction or consideration. Particular emphasis is being given to the effective utilization of compost and farmyard manure, with a target of 11 million tons of compost by 1954. Supplies of seeds and construction materials are being made available to cultivators. Plant protection measures are being improved. The Indian Council of Agricultural Research is devoting special attention to improving yields and quality of a wide range of crops and the Veterinary Research Institute is carrying out research in animal nutrition, acclimatization and breeding.

In *Pakistan*, new irrigation works and anti-waterlogging measures are of central importance and 2.5 million hectares are expected to benefit from the intended measures. Distribution of improved varieties of seeds and fertilizers and some mechanization are to contribute to the production goals set for 1957. These include an increase of 220 per cent in the output of oilseeds, 70 per cent for sugar-cane, 68 per cent for vegetables, 90 per cent for fruit, 27 per cent for cotton, and 10 per cent for jute. Rice production is to increase by 500,000 tons, sufficient to meet the needs of eastern Pakistan. Wheat production may remain unchanged.

In the mainland of *China* the Central People's Government has announced a policy of achieving self-sufficiency in food and cotton through increased production. An extensive programme for land reclamation has been reported, with a goal of one million hectares in 1950. Since potentialities for expansion of area are mostly in the north, it can be expected that the land reclamation programme will contribute principally to increased production of cereals other than rice and of cotton. Tremendous efforts have been devoted to flood prevention in south, central, and north China and long-range plans are being prepared for the control of the Yellow River with irrigation of extensive dry areas in the north-west. The Central People's Government's policy of increasing production by improving rural conditions is also evident in the material assistance reported to have been given to co-operative undertakings. Mutual aid groups are stated to have been organized in rural areas for purposes of credit, co-operative marketing, and distribution of seed and implements and other necessities. As a result of these measures and land reform, an increase of 5 million tons in total food grains is expected in the north-east (Manchuria) in 1950. In China proper an increase of perhaps 5 million tons of rice over the poor crop of 1949 and of 2 million tons over the good 1948 crop is unofficially estimated for 1950. In Taiwan, principal attention is being devoted to increasing rice production and steady progress has been made over several years. Production is expected to exceed the pre-war level in 1950 for the first time.

In *Japan* food and agricultural policy is closely bound up with the general development of industry and trade. Since possibilities for expansion of area are limited and crop yields are already very high, the food needs of the growing population have to be met increasingly from imports of food, which must be paid for by exports of industrial products. Japan's efforts to recover pre-war industrial markets are therefore an integral part of its food policy. At the same time a maximum effort is being made to achieve the maximum possible production, both through reclamation projects and through careful attention to yields. A goal of 1.5 million hectares has been set as the probable reclaimable area, of which 35 per cent is in Hokkaido.

Government policy in the *Philippines* is to stimulate production of rice in order to achieve complete self-sufficiency in basic foods, expand production of fruits and vegetables as the principal means of improving the quality of the diet, and assist the recovery of the export crops. In order to raise rice yields and also make possible more intensive cropping in some cases, a large number of small irrigation works have recently been constructed, are under construction or await construction. Farmers are being assisted to procure and pay for fertilizers, and use of power machinery is being encouraged through tractor pools and through experimentation in mechanized methods under local conditions. Among export crops particular attention is being paid to the sugar industry, with the aim of restoring pre-war levels by 1953 and ultimately increasing output 50 per cent above present levels. In the coconut industry, principal attention is being devoted to disease control and industrialization of by-products. The Government is endeavouring by direct methods to expand the area under abaca.

Prime attention is being given in *Indonesia* to increasing yields and production of rice. Under the Special Prosperity Plan for Agriculture and Fisheries (1949), first emphasis is being devoted to seed improvement. Regional seed-selection stations plus a large number of seed farms are planned for establishment by the end of 1951. By 1960 it is aimed to be able to supply seed originating in selection stations to the entire two million hectares of irrigated rice fields, giving an additional 600,000 tons of cleaned rice. It is also the Government's policy to import phosphatic fertilizers for use on limited areas of irrigated rice. It is intended to expand the cultivated area by some 200,000 hectares, mostly in Sumatra. A long-term major irrigation project would benefit more than half a million hectares in Java.

In both Ceylon and the Federation of Malaya agricultural policy is directed towards diversifying crop production and lessening the dependence on imported food. Two-thirds of the crop area of *Ceylon* is given over to tea, rubber and coconuts, while 60 per cent of the food, including rice, has to be imported. Under the Six-year Development Programme (ending 1956/57) it is planned to bring nearly 100,000 hectares of new land under the plough, through irrigation and clearing in the so-called Dry Zone and through reclamation of swamps. This land will be devoted to rice and vegetables and is expected to yield 75,000 tons of rice annually. Efforts are also being made to raise yields by irrigation, greater use of manures, use of pure line paddy seed, and improved cultivation techniques.

Malaya, also, produces only 40 per cent of its rice needs. Under the Six-year Development Programme, 34,000 hectares of new rice land are to be brought into production by 1953 and 115,000 hectares of existing paddy areas improved. A further 92,000 hectares have been noted for possible development and 85,000 hectares for possible improvement. Attempts will be made to raise yields through irrigation, drainage, introduction of better strains, and protection against pests.

In both Burma and Indochina (Viet-Nam, Cambodia, and Laos) unsettled political conditions, with actual military operations in some areas, continue seriously to hamper execution of agricultural policies. Detailed plans for the rehabilitation and expansion of *Indochina's* agriculture have been set forth in the Monnet Plan, but few large agricultural works have been possible under prevailing conditions. Announcements from the Viet Minh areas indicate that the authorities are devoting principal attention to flood control and drainage. In *Burma* the Government's objective is to rehabilitate the agricultural economy with a view to achieving pre-war levels of rice cultivation by 1952. For this purpose the main needs are the repair and reconditioning of all irrigation works, the bringing back into cultivation of 2 million acres of rice land, and the increase and improvement of distribution of draught animals. Attention is being given to improvement in the strains of rice in use and in development of hybrid cottons.

In *Thailand* the Government is making efforts to expand the area under rice cultivation, diversify crops, raise yields and improve transportation. There are fourteen irrigation works under construction or proposed to cover an area of 1,325,000 hectares. A loan of $18 million has been obtained from the International Bank for one major project, involving construction of a barrage across the Chao Phya River, which will make possible the integration of all irrigation in the Central Plain. In all, it is hoped to bring 400,000 hectares of new land into rice cultivation and raise yields from 1,260 kilogrammes to 1,800 kilogrammes per hectare. The Government is also encouraging the production of pulses. Attention is being devoted to popularizing and making economic the use of fertilizers, selection and distribution of improved seeds, and experimentation in mechanized farming. The campaign for eradication of rinderpest has been successful.

It is evident that agricultural policy throughout the region is strongly oriented towards increasing production, especially of food. So far, however, plans relate almost wholly to crop products, with relatively little attention being paid to livestock products.

Cereals

Rice

In 1949/50 the area planted to rice in the AFE region reached the record total of over 84 million hectares, but production in terms of paddy, estimated at 140 million tons, was 1.4 per cent below the pre-war level (142 million tons).

The decline in the rice harvest during the year under review was due largely to widespread crop failure on the mainland of *China,* which normally accounts for nearly one-third of world production. Competent observers believe that the harvest on the Chinese mainland was 5 per cent less than in the previous year and 12 per cent below the pre-war level. A bumper crop is expected in continental China in the current crop year (1950/51) despite the recurrence of floods in certain areas.

In *India* weather conditions were generally favourable except in the south, and a country-wide food production campaign was conducted. Rice production increased, although apparently not to the same extent as the rice area was expanded. With an estimated rice area of nearly 30 million hectares, apparently yielding some 35 million tons of paddy, India accounted for almost one-third of the world area under rice, but less than one-fourth of the estimated world production in 1949/50. Unfavorable monsoons in different parts of the Indo-Pakistan sub-continent during the current crop year (1950/51) have had a more serious effect on secondary cereals than on rice, although the earthquake in Assam and prolonged drought in Bihar caused a serious decline in rice production in these states.

The area planted to rice in *Pakistan* showed a gain in 1949/50, but production declined by 3.5 per cent as compared with previous year. An upward trend in rice area at the expense of jute was in evidence in East Bengal, where production and consumption of rice have been somewhat precariously balanced in recent years.

With an area smaller than before the war, *Japan* harvested a record rice crop in 1949/50. The average yield of rice, which for decades has been the highest in the region, rose to 38.8 metric quintals per hectare. In consequence, total production was 10 per cent greater than before the war. Preliminary estimates place the 1950/51 rice harvest at about the same level as in the previous year.

Area and production in *Indonesia* have almost recovered the pre-war levels. Rice areas in the *Philippines* and *Malaya* continued to expand well above the pre-war averages, and record crops were harvested in 1949/50. Bumper rice crops were also harvested in *Taiwan* and *South Korea,* which, before the war, were important "rice-bowl" areas on which Japan depended for its import needs.

Table 30. Estimated Production of Rice

(Thousand metric tons of paddy)

	1934/35-1938/39 (average)	*1947/48*	*1948/49*	*1949/50*	*1950/51 (provisional)*
British Borneo	170	..	..	140	..
Burma	6,971	5,429	5,287	4,076	4,080
Ceylon	340	..	310	331	..
China					
22 provinces	50,065[g]	46,507	46,524	44,500[h]	..
North-east	411[g]	459	460	380	..
Taiwan	1,642[g]	1,205	1,526	1,735	1,800
Hong Kong	..	..	32	..	..
India	32,309[a]	32,413[b]	34,232[c]	34,519[c]	..
Indochina	6,498	..	4,530	4,600	..
Indonesia	9,987	..	9,287	9,866	..
Korea	3,699	2,779[d]	3,052[d]	3,197[d]	2,930
Malaya	513	553	495	703	600
Pakistan	11,169[e]	11,819	12,846	12,403	13,150
Philippines	2,179	2,198	2,491	2,596	2,797
Thailand	4,357	5,174	6,835[f]	6,683[f]	6,018
Japan	11,501	11,298	11,993	12,224	..

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[a] Reported area 1936/37 - 1938/39 average *plus* "non-reporting" area for 1938/39, the latter probably understated.

[b] Including "non-reporting" area which is probably understated.

[c] Includes almost all "non-reporting" areas and also a few of the former princely states for which no estimates were previously available.

[d] For areas south of the 38th parallel.

[e] 1936/37 - 1938/39 average.

[f] Figures recently returned to FAO — not comparable with those for earlier years.

[g] 1931-37.

[h] Unofficial.

In *Burma,* normally the largest surplus-producing country in the world, the continuation of political unrest and military operations adversely affected the 1949/50 rice harvest. In *Indochina,* where conditions have been somewhat similar, production remained well below pre-war. Unsettled conditions account for the provisional nature of the harvest estimates for these two countries. It would appear reasonable to assume, however, that crop reduction in Burma outweighed production gains in *Thailand,* which harvested another bumper crop in 1949/50. Official forecasts indicate a slight gain in Burma's rice harvest in 1950/51. Crop conditions in the current crop year in Thailand are reported to be generally good (see table 30).

Other food grains

The production of grains other than rice in the region during 1950 was above the level of production in 1949 but it was 3 per cent less than the 1948 harvest and about 6 per cent below pre-war. Table 31 presents a summary of the production:

Table 31. Grain Production in the AFE[a] Region
(Million metric tons)

	Pre-war[b]	*1948*	*1949*	*1950*[c]
Wheat	34.8	35.2	32.5	34.4
Barley	12.9	12.6	12.0	12.2
Oats	1.1	1.0	0.9	0.9
Maize	14.6	15.9	14.9	(15.0)
Millets, etc.	37.2	32.6	32.1	(32.0)
Total all grain	100.6	97.3	92.4	94.5
Total, excluding China	38.4	33.9	34.4	33.6

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[a] Including British Borneo, Burma, Ceylon, China, Hong Kong, India (including non-reporting territories), Indochina, Indonesia, Korea, Malaya, Pakistan, the Philippines, Thailand, and Japan.
[b] 1934-38 in most cases.
[c] Preliminary.

The increase in production is mainly due to the output in China, where an increase for wheat of over 15 per cent above the unfavourable harvest of 1949 has been officially reported. A policy of achieving self-sufficiency in grains had been announced for 1950, including a goal for grain output in North-east China (Manchuria) which was set at 5.5 million tons.

The Indian and Japanese wheat output increased by about 10 per cent over the production in 1949, and Pakistan's production was second only to the bumper crop of a year ago.

Coarse grain production (barley, oats, maize, millet, etc.) in the region was only slightly above the level of the previous year. While the production in China increased, this was offset by serious losses in maize and millet crops in India due to floods.

Fats and Oils

Total production of fats and oils in the AFE region was probably slightly higher in 1950 than in 1949 and 1948 but was still about 10 per cent below the pre-war average level (see table 32). Current production trends should be appraised against both this pre-war level and the basic economic and social changes which emerged during and since the Second World War. During the war the loss of almost the whole export market resulted in a corresponding decline of commercial or cash-crop production, e.g., oil palm and copra in the Philippines, Indonesia, and Malaya and to some extent soya-bean and other oilseeds in China. The rehabilitation of oil palm plantations since 1945 has been retarded by political and other difficulties whereas the recovery of copra production — particularly for export — has been largely conditioned by the supply availabilities and prices of rice, textiles and other consumer goods required by the primary producers. Conditions in this respect have been relatively unfavourable in Indonesia as contrasted with, say, those in the Philippines. In North-east and south China the continued low level of post-war export production has to be associated with the major political and economic unsettlement in that area. In India and Pakistan the low level of cottonseed[5] and *ghi* production is mainly the result of war and post-war shifts in acreage and production policies.

Comparing 1950 with pre-war the largest production declines are fish oil (Japan), soya-beans and ground-nuts (North-east China), copra (Indonesia), palm oil (Sumatra), cottonseed (China and India), and apparently lard (China).

In the case of copra and coconut oil, of which the region is the largest contributor to world supplies, total production declined slightly in 1948, when the end of the copra price boom and growing dollar shortages in Europe resulted in a sharp contraction in Philippine production. However, world copra production has increased each year since 1948 until it now slightly exceeds the pre-war level. Indonesia was the largest pre-war producer, but despite a steady recovery between 1947 and 1950 current production is still only about 85 per cent of pre-war. Ceylon copra production is currently below pre-war due to drought in 1949/50 and the long-term prospect seems to be one of decline, since coconut trees have not been replanted on an adequate replacement basis, production priority having been accorded to rubber and food crops. Availabilities in the Philippines and Ceylon seem to fluctuate with changes in the price and demand situation, as strikingly exemplified by the Philippines since July 1950.

Oil palm production of Indonesia is making relatively slow recovery, the estimated 1950 production of 120,000 tons comparing with 220,000 tons for the 1934–38 average and over 260,000 tons in 1938, the year when the plantations had reached more complete fruition. Malaya, on

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[5] Used extensively as a feed crop in India.

Table 32. Production of Fats and Oils[a]

(Thousand metric tons, oil equivalent)

Area and class of fat or oil	*Pre-war*[b]	*1947*	*1948*	*1949*	*1950*
Total Asia and the Far East	8,235	7,092	7,310	7,225	7,440
Animal and marine fat	2,215	1,680	1,750	1,790	1,825
Copra and coconut oil	1,531	1,497	1,441	1,514	1,568
Palm oil and palm kernels	274	60	124	191	187
Other "edible — soap" vegetable oils[c]	3,805	3,530	3,633	3,383	3,521
Other technical vegetable oils[d]	410	325	362	347	339
Principal producing countries:					
China (22 provinces): Total	2,800	2,605	2,755	2,630	2,645
Animal fat	1,095	870	880	890	890
"Edible — soap" vegetable oils	1,569	1,625	1,749	1,631	1,645
Technical vegetable oils	136	110	126	109	110
North-east China: Total	735	— say 350 per annum —			
Japan: Total	275	61	82	103	128
Fish oil	150	10	13	25	35
Whale oil (coastal and Antarctic catch)	24	13	19	21	28
"Edible — soap" vegetable oil	91	33	45	52	60
India[e]*: Total*	2,000	1,920	1,950	1,900	2,000
Animal fat (mainly ghi)	590	500	540	545	550
Other "edible — soap" vegetable oils	1,235	1,275	1,235	1,180	1,285
Linseed, castor, etc.	175	145	175	175	165
Indonesia: Total	1,055	595	750	880	870
Copra and coconut oil	650	425	500	550	545
Palm oil and palm kernels	220	8	66	130	121
Other "edible — soap" vegetable oils	155	132	156	170	174
Malaya: Total	160	100	120	150	170
Copra and coconut oil	104	45	59	86	101
Palm oil and palm kernels	54	52	58	61	66
Other copra producing countries:					
Ceylon — Copra and coconut oil	135	100	155	150	130
Philippines — Copra and coconut oil	390	690[f]	484	484	565

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[a] Calendar year production of oil from indigenous material plus oil equivalent of exports of such material.

[b] Average of 1934-38.

[c] Principally ground-nut, sesame, rape, soya, cottonseed, and sunflower.

[d] Includes linseed (chiefly India), tung (China), perilla (Manchuria), and castor (chiefly India).

[e] Excluding Pakistan area both pre-war and post-war.

[f] This figure probably includes significant quantities of exports from the preceding year's production.

the other hand, had almost recovered its pre-war volume by 1947 and has since increased steadily to more than 20 per cent above pre-war production.

China (excluding the North-east) had above-average crops of oilseeds, other than rapeseed, in 1948, followed by almost as good results in 1949. Production of tung nuts — an export crop — approached the pre-war level in 1948, but declined in 1949 due to general trade difficulties. The Chinese rapeseed crop has been declining since 1946/47 but is still above pre-war, this increase having been obtained through inter-planting and thus securing a second (late) crop each year. The winter ground-nut harvest of India was particularly poor in 1948/49 and is expected to be especially good in 1950/51, all other recent years being about average. Indonesia ground-nut and soya-bean crops have increased steadily since 1947, the former to about 15 per cent above the pre-war level. Japanese soya-bean and rapeseed crops are also improving but had not reached the pre-war volume in 1950.

Livestock and Livestock Products

This report pertains to ten ECAFE countries (Burma, Ceylon, China's twenty-two provinces, India, Indochina, Indonesia, South Korea, Malaya, Pakistan and the Philippines and Japan) for which information could be obtained.

Forty per cent of the world's animal units (excluding the USSR) are in Asia. These eleven countries have 85 per cent of Asia's animal units or nearly 35 per cent of the animal units of all the world.

The cattle and buffaloes of this region, as a whole, are animals of combined production (work, meat, milk and fertilizer). Unimproved breeds of animals, in relation to lack and misuse of pasture land and to limited quantities and misuse of foodstuffs, result in low productivity in all the phases of livestock production and make farming inefficient Hogs are raised mostly by the farm families individually, as a by-employment. Goats are often the principal animal for most of the rural families which cannot afford to maintain a cow or buffalo, and sheep are maintained for their wool and secondarily for their meat and milk. Poultry are kept in small flocks of five to fifteen head by most of the farm families in the region. Lately, however, there has been a tendency toward larger flocks, as a result of sanitary measures and control of the New Castle disease, which have encouraged an increase in poultry production

The per acre number of livestock units in this region is very high a compared with other regions of the world. Yet the *per capita* numbe of livestock and the *per capita* production and consumption of livestock products in these countries is the lowest in the world. This is due to combination of factors among which are: (1) large population in relatio to the land acreage makes it imperative to utilize the farm productio directly for human consumption to a great extent, instead of indirectl through livestock production; (2) limited production and misuse o forage and food concentrates and highly restricted acreages of pastur result in poor-quality livestock with very low rates of production pe animal unit as compared to other regions of the world; (3) religiou barriers and prejudice exert significant effects upon production an utilization of livestock and livestock products; (4) a subsistence type o farming, very low farm incomes, and low living standards are handicap in the development and modernization of farming and animal husbandr in the region.

Livestock numbers and production in most of these countries had fallen significantly during the war. Recovery has started since the end of the war and progress both in livestock numbers and production has already been made. However, this progress hardly keeps pace with the increase of the population. The *per capita* number of livestock units and production remains practically at the same level as immediately after the war.

Under the present conditions of the region, the outlook does not seem very bright for livestock production. The facts indicate that livestock numbers, production and consumption for the entire region will probably be in almost the same situation in 1950/51 as they are at present.

Livestock numbers

The livestock numbers for this group of countries are given by kind of livestock and year in table 33.

Table 33. Livestock Numbers

(Thousand head)

	Cattle	*Buffaloes*	*Sheep*	*Goats*	*Hogs*	*Poultry*
Burma						
Pre-war (1938)	5,194	1,050	82	293	530	..
1946/47	4,154	642	21	151	309	..
1947/48	4,488	721	21	172	402	..
1948/49	(4,500)	..	(21)	..	(410)	..
Ceylon						
Pre-war (1938)	1,127	543	62	233	37	1,514
1946/47	1,068	593	69	278	62	1,510
1947/48	1,116	627	55	326	85	1,514
1948/49	1,133	658	55	370	95	..
China (22 provinces)						
Pre-war	23,081	11,574	12,411	15,744	59,404	311,600
1946/47	18,998	9,320	9,191	13,609	53,758	248,360
1947/48	18,200	9,460	10,450	13,976	59,510	261,500
1948/49	(18,000)	..	(10,500)	..	(59,550)	..
India						
Pre-war (1939)	137,929	40,130	41,506	50,253	2,702	74,306
1946/47	136,739	40,732	37,728	46,302	3,709	75,300
1947/48	(137,000)	..	(38,000)	..	(4,000)	..
1948/49	(137,000)	..	(39,000)	..	(4,100)	..
Indochina						
Pre-war (1939)	2,050	1,803	14	62	4,535	40,000
1946/47	(1,550)	1,769	(16)	..	1,890	..
1947/48	1,523	1,246	(18)	..	(2,000)	40,000
1948/49	1,682	1,290	20	26	2,258	..
Indonesia						
Pre-war (1939)	4,577	3,247	1,338	3,208	1,131	..
1946/47	3,591	2,730	1,610	5,112	1,162	..
1947/48	3,578	2,746	1,812	6,907	1,171	32,000
1948/49	3,598	2,759	2,062	7,187	1,212	32,000
Korea (South)						
Pre-war (1940)	937	–	12	51	677	..
1946/47	610	–	3	36	300	1,854
1947/48	642	–	3	42	374	2,050
1948/49	739	–	4	49	461	2,267

Table 33 (continued)

	Cattle	*Buffaloes*	*Sheep*	*Goats*	*Hogs*	*Poultry*
Malaya						
Pre-war (1939)	292	218	35	303	764	..
1946/47	236	189	22	153	256	..
1947/48	236	203	19	174	357	10,000
1948/49	235	212	21	207	351	10,000
Pakistan						
Pre-war (1939)	24,444	5,303	5,941	7,982	73	..
1946/47	(24,400)	..	(6,000)	..	(100)	44,732
1947/48	24,296	5,600	6,145	10,067	104	..
1948/49	(24,296)	(5,600)	(6,145)	(10,067)	(105)	27,000
Philippines						
Pre-war (1938)	1,349	2,919	38	619	3,348	26,129
1946/47	486	1,504	21	210	1,903	9,870
1947/48	613	1,716	26	278	2,637	15,702
1948/49	672	1,921	28	306	3,349	21,145
Japan						
Pre-war (1939)	1,967	–	114	282	1,140	50,500
1946/47	1,989	–	239	278	94	20,000
1947/48	2,103	–	291	348	205	18,000
1948/49	2,293	–	327	458	488	17,000

A summary presentation of the trend since the war is given in table 34 in total animal units by country.

Table 34. Total Number of Animal Units by Country[a]

(Million animal units)

Country	*Pre-war*	*1946/47*	*1947/48*	*1948/49*
Burma	5.3	4.0	4.4	4.4
Ceylon	1.5	1.5	1.6	1.6
China (22 provinces)	44.7	37.3	38.4	38.3
India	160.2	159.0	159.6	159.8
Indochina	4.4	3.4	2.9	3.0
Indonesia	7.6	7.5	6.7	6.8
Korea (South)	.9	.6	.6	.7
Malaya	.6	.4	.5	.5
Pakistan	26.2	26.3	26.7	26.7
Philippines	4.8	2.3	2.8	3.2
Japan	1.8	1.7	1.8	2.0
TOTAL	258.0	244.0	246.0	247.0

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[a] Factors used for the conversion of the livestock population into animal units: buffalo 1.0, cattle 0.8, pigs 0.2, sheep and goats 0.1.

The degree of importance of these countries from the standpoint of livestock population and a comparison with other regions of the world are shown in table 35.

Table 35. Distribution of Animal Units by Large Areas in the World (excluding the USSR)

(Per cent)

Regions	*Pre-war*	*1946/47*	*1947/48*	*1948/49*
Eleven AFE countries	35	34	34	34
All other Asiatic countries (excluding the USSR)	8	5	5	5
Africa	11	12	12	12
Oceania	4	4	4	4
Europe (excluding the USSR)	15	13	13	13
South America	14	16	17	17
United States and Canada	13	16	15	15
TOTAL	100	100	100	100

The number of *per capita* animal units (animal units per person) in this region is the lowest in the world, as indicated in the following table. India shows the highest *per capita* number among the eleven AFE countries, exceeding Europe's and Africa's significantly and approaching the *per capita* number of the United States and Canada. It is also far above the world average number *per capita*.[6] However, the *per capita* number of animal units in other AFE countries such as China, Indonesia, Korea and Japan is considerably lower and the average *per capita* number of animal units of this region, as considered above, stands much below the world average (see table 36).

Table 36. *Per Capita* Number of Animal Units

	Pre-war	*1947*	*1948*	*1949*
Burma	0.33	0.23	0.25	0.24
Ceylon	0.25	0.22	0.22	0.22
China (22 provinces)	0.11	0.09	0.09	0.09
India	0.52	0.47	0.47	0.46
Indochina	0.19	0.12	0.11	0.11
Indonesia	0.11	0.10	0.09	0.09
Korea (South)	0.07	0.03	0.03	0.03
Malaya	0.13	0.08	0.08	0.08
Pakistan	0.39	0.36	0.36	0.36
Philippines	0.30	0.12	0.14	0.16
Japan	0.03	0.02	0.02	0.02
AFE average	0.26	0.23	0.23	0.23
Asia (excluding the USSR)	0.27	0.23	0.23	0.23
United States and Canada	0.68	0.72	0.70	0.68
Europe (excluding the USSR)	0.29	0.24	0.24	0.25
South America	1.17	1.16	1.17	1.17
Oceania	2.66	2.29	2.38	2.41
Africa	0.47	0.45	0.45	0.46
World average (excluding the USSR)	0.34	0.31	0.31	0.31

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[6] In India cattle are mainly used for draught purposes; for religious reasons their meat, which is inferior in quality to European or African types, is not eaten.

The percentage distribution of the animal units by kind of livestock differs for each country of the AFE region. In general, cattle and buffaloes comprise 89 per cent of the total animal units, pigs 6 per cent, goats about 3 per cent, and sheep a little over 2 per cent (see table 37). Poultry is not included in this analysis of animal units. However, it occupies a position of some importance, averaging about 10 per cent of the total animal units. India has the smallest number of poultry proportionately, not exceeding one per cent of the total number of animal units, but in China about 15 per cent of the total animal units are poultry. Indonesia and the Philippines have about 10 per cent of their animal units in poultry and Indochina, Malaya and Ceylon about 20 per cent. The position of poultry in each of these countries is determined by the kinds and numbers of other livestock kept.

Table 37. Distribution of Animal Units by Kind of Livestock, 1948/49

(Per cent)

Country	*Cattle*	*Buffaloes*	*Sheep*	*Goats*	*Pigs*	*Total animal units*
Burma	81.4	16.3	[a]	0.4	1.9	100.0
Ceylon	55.3	40.8	0.4	2.3	1.2	100.0
China	37.6	24.8	22.7	3.7	31.2	100.0
India	68.6	25.6	2.4	2.9	0.5	100.0
Indochina	43.5	41.7	0.1	0.1	14.6	100.0
Indonesia	42.3	40.5	3.1	10.5	3.6	100.0
Korea (South)	85.9	–	–	0.7	13.4	100.0
Malaya	38.1	43.0	0.4	4.3	14.2	100.0
Pakistan	72.9	21.0	0.2	3.8	[a]	100.0
Philippines	17.0	60.7	0.1	1.0	21.2	100.0
Japan	91.2	–	1.6	2.3	4.9	100.0
TOTAL, 11 countries	63.0	25.5	2.5	3.0	6.0	100.0
Africa	76.0	2.0	12.0	9.0	1.0	100.0
Asia (excluding the USSR)	61.0	24.5	4.5	4.0	6.0	100.0
Europe (excluding the USSR)	77.5	1.0	10.5	[a]	11.0	100.0
United States and Canada	80.0	–	3.0	[a]	17.0	100.0
South America	83.0	–	10.0	2.0	5.0	100.0
Oceania	51.0	–	47.5	[a]	1.5	100.0
TOTAL, World (excluding the USSR)	71.0	10.0	9.0	3.0	7.0	100.0

[a] Less than 0.1 per cent.

Livestock products

Meat. Meat production in 1949 was nearly 80 per cent of the pre-war amount. It shows very little increase (only 2 per cent) over the 1947/48 meat production of this region. The yearly increase from the post-war low has taken place at almost the same rate at which human population increases. Consequently the *per capita* production is lower than before the war. The kinds of meat and the proportion of each kind of meat produced differ from country to country in the region, depending largely on religious, agricultural and economic factors (see table 38).

Table 38. Trend in Meat Production[a]

(Thousand metric tons)

Country	*Pre-war 1934-38*	*1947/48*	*1949*
Burma	134	109	109
Ceylon	45	22	25
China (22 provinces)	4,900	3,896	..
India	737	738	738
Indochina	294	75	..
Indonesia (commercial)	245	217	231
Korea (South)	52	19	22
Malaya	47	29	30
Pakistan	308	308	308
Philippines	228	90	111
Japan	139	50	88
TOTAL	7,129	5,553	5,642

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[a] Meat, as dealt with here, includes beef and veal, including buffalo, mutton and lamb, including goat meat, pig meat, and offals. Poultry meat and other kinds of meat are excluded.

Dairy production. The total milk produced in 1949 was approximately 4 per cent above pre-war, and only 2 per cent above that of 1947/48 (see table 39). In view of the region's post-war population increase, the average *per capita* production in 1949 was 10 per cent lower than before the war.

Table 39. Trend in Milk Production

(Thousand metric tons)

Country	*Pre-war 1934-38*	*1947/48*	*1949*
Burma	260	135	135
Ceylon	44	55	56
India	16,837	17,475	17,974
Pakistan	5,800	5,815	5,817
Philippines	50	36	..
Japan	340	177	206
TOTAL	23,331	23,693	24,228

The kinds of animals used as a source of milk production differ in the various countries of the region and even in different areas of a given country. In India the cow is the principal milk animal, whereas in Pakistan buffaloes are the principal milk animals.

Although cream, butter and cheese are not produced to any great extent in Asian countries as a whole, significant quantities of milk are utilized by India and Pakistan in the production of *ghi* (a clarified butter used for culinary purposes). The largest part of the milk is produced by the farmers in the areas. Commercial dairy farms are found chiefly in the cities and metropolitan suburbs of the region where their production can be readily sold to the urban population.

Eggs. Egg production in 1949 was 810,000 tons, about 65 per cent of pre-war (1,234,000 tons) and practically the same as in 1947/48 (802,000 tons). The *per capita* egg production appears to be the lowest in the world in the light of existing figures.

Fibres

Cotton

In the 1950/51 season, increases in cotton production in the region have been widespread and substantial, while in other parts of the world output has either decreased sharply, notably in the United States, or has registered comparatively minor increases. At the same time, prospects of cotton supply available for civilian consumption and the textile trade have been adversely affected by the Korean conflict and by intensified defence requirements for raw cotton in most parts of the world. The textile industries of Japan and to a considerable extent of India are largely dependent on imports of cotton grown outside the region. Before the outbreak of the Korean war, the expansion in the region of textile production capacity and outlets augured well for an improvement in textile consumption standards and a significant contribution to economic stability. Despite reduced production of raw cotton in other parts of the world, supplies available for import into the region probably would have been adequate to meet requirements. By now, however, it appears that as a result of the increase in cotton consumption in the United States and elsewhere attributable to rearmament requirements, less cotton will be available for import into the region. Moreover, increased military needs will cut into any increase in fibre supply and textile production which might otherwise have been available for civilian uses.

Various factors contributed to the increase in cotton growing in 1950 within the region. In India, the food situation had become such that it was found possible to permit an increase in acreage to give cotton equal priority with food in the 1950/51 agricultural programme. The maximum price for cotton was raised by 25 per cent in order to induce an expansion in acreage and inter-cropping with food crops. As a result, the crop area has increased by 10 per cent as between 1949/50 and 1950/51. Moreover, growing conditions up to mid-season had been more favorable, and with the enhanced yields per acre, production is expected to be proportionately higher. In Pakistan, where a land drainage problem for the present precludes any substantial increase in acreage, further progress has been made in the planting of higher-yielding varieties and production is expected to increase by some 8 per cent. Although detailed reports on the crop in China are not available, it appears that a very substantial

Table 40. **Raw Cotton Production**
(Thousand metric tons)

Country	*1934-38*	*1948/49*	*1949/50*	*1950/51 (preliminary)*
China (including North-east)	680	460	370	564
India	1,150	433	518	614
Pakistan		176	221	238
Others	65	31	39	44
TOTAL, Far East	1,895	1,100	1,148	1,460
TOTAL, World	6,651	6,322	6,812	5,945

increase over the 1949/50 season's exceptionally meagre production has taken place, possibly to the extent of 25 per cent. Production in other parts of the region is of minor importance, but in view of the present need for cotton and the high prices obtainable for it, cotton growing is likely to have increased, although in the case of Korea military operations have prevented the harvesting of a large part of the crop (see table 40).

Jute

Almost all the world's jute is grown in the Indo-Pakistan sub-continent, and the major share comes from the northern and eastern regions of Bengal which now form part of Pakistan. During 1949 and 1950 a considerable portion of Pakistan's jute lands has been devoted to rice, owing to temporary difficulties arising from the trade deadlock with India. Production in Pakistan in the past two seasons also suffered greatly from excessive rains. Thus, though a marked expansion in jute cultivation occurred in India, output for the sub-continent as a whole in 1949/50 was a quarter below the 1934-38 average. With much more favorable growing conditions in Pakistan, and with a further extension of cultivation in India, world production for 1950/51 is provisionally estimated at 1.7 million tons or about nine-tenths of the pre-war average (see table 41).

Table 41. Jute Production[a]

	Area (1,000 hectares)				*Production (1,000 metric tons)*			
Country	*1934-38*	*1948*	*1949*	*1950 (preliminary)*	*1934-38*	*1948*	*1949*	*1950 (preliminary)*
India	1,420	338	469	505	1,850	373	566	750
Pakistan		759	631			994	820[b]	910[b]
TOTAL, World	1,430	1,140	1,140	..	1,880	1,390	1,420	1,700

[a] Seasons beginning 1 July.
[b] Unofficial estimates.

Silk

Recovery in Japanese production of raw silk was retarded in the first half of 1950 when deficiency in the cocoon supply caused a reduction in reeling operations. With improvement in the summer-fall harvest, and increased world demand, raw silk production rose to nearly 3,000 metric tons in the third quarter, the highest quarterly average since the Second World War (see table 42). Total output for 1950 is tentatively estimated at approximately 10,000 metric tons, or about the same level as 1949 but less than a quarter of the 1934-38 average.

Sugar, Tea and Tobacco

Sugar

In no part of the world has the sugar industry undergone greater changes as compared with pre-war than in the AFE region. Production

Table 42. Raw Silk Production and Export
(Thousand metric tons)

Country	Production				Export		
	1934-38	1948	1949	1950[a]	1934-38	1948	1949
China[b]	4.7	0.4	0.4[a]	0.5	4.7	0.4	0.4[a]
Japan	42.3	8.1	9.9	10.0	30.2	5.0	2.9
Others	1.9	0.5	0.5	0.5	2.2	0.3	0.4
TOTAL, AFE	48.9	9.0	10.8	11.0	37.1	5.7	3.7
TOTAL, World	53.9	12.5	14.5	15.0	40.7	7.2	4.2

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[a] Tentative estimates.
[b] Exports.

has declined appreciably and so has trade, whether intra-regional or with countries outside the region. Nevertheless, the decline in exports from the chief producing areas has been greater than the decline in production. Indeed, the region has become a net importer of sugar.

Recovery in production of sugar has been slower than in the production of all other foods. This is in broad contrast with the situation in other parts of the world. In Europe, sugar production exceeded the pre-war average by 1948/49 and during the current year will be more than 1.5 million metric tons higher than in pre-war years. In the AFE region, on the other hand, production in 1949/50 was only 5.9 million metric tons as compared with 7.4 million metric tons before the war, and is not likely to exceed 6.4 million tons even in 1950/51. Table 43 shows production in pre-war years and the last two post-war years, and provides a preliminary estimate of production in 1950/51.

Table 43. Sugar Production
(Thousand metric tons, raw value)

Country	1934/35-1938/39	1948/49	1949/50	1950/51 (preliminary estimate)
Burma	71[a]	18[a]	20[a]	20
China:				
22 provinces	397[a] [b]	390[a]	390[a]	390
North-east (Manchuria)	10[b]	26[a]	26[a]	20
Taiwan	1,200	631	554[a]	400
India[c]	2,902[b]	3,257	3,200	3,300
Indochina	45	18	18	20
Indonesia	1,170	240	320	550
Pakistan[c]	417[b]	664	674	690
Philippines	1,004[b]	662	617	880
Thailand	..	..	49[e]	49[e]
Japan	151[d]	23	19	30
TOTAL	7,367	5,929	5,887	6,349

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[a] Unofficial estimate.
[b] 1935-39.
[c] Includes gur in terms of raw gur converted at 64.2 : 100.
[d] Includes Japanese mandated islands.
[e] Includes 19,000 tons of crude brown sugar.

However, it will be observed that production is increasing slowly; the Philippines have succeeded in reconstructing the sugar industry from the extremely low level to which it fell immediately after the close of hostilities. Production is increasing slowly in Indonesia, and it is likely that production in Taiwan for the crop year 1951/52 will be substantially higher than during 1950/51.

Many and varied factors explain this situation. The first over-all factor to be noticed is that production in the AFE region was concentrated largely in four countries, two of which produced primarily for export. But internal, and to some extent external, social and economic changes in post-war years have been particularly unfavourable for rehabilitation of the sugar industry in the chief exporting countries. On the other hand, most of the other countries in the AFE region had before the war only very small sugar industries and had to depend on some imports even for their extremely low *per capita* consumption.

Plans to increase production have been formulated in many of the ECAFE countries, both importing and exporting. It is likely indeed that — providing political and social stability is maintained — production will increase appreciably during the next few years. Obviously, the greatest increase can be effected most easily in those countries which have had long experience in production of sugar cane. The problem of launching a sugar industry in new areas is very great indeed, requiring considerable capital investment, training of both growers and factory workers in the rigorous demands of cane cultivation and sugar production, much educational work, and last but not least, careful planning to synchronize the agricultural and industrial phases of the industry. A great deal of resources can be wasted, unless adequate experienced agricultural and industrial technologists are available to launch the industry and to shape it during the formative years. Indications are that the economic value of increasing sugar production is beginning to be realized, especially since demands for consumption are increasing everywhere.

Tea

In 1950 tea production in the region continued the steady expansion which has been noticed in all the major producing countries since 1947, and information available for eight to ten months of the calendar year 1950 indicates a total increase of tea production in the region from approximately 500,000 metric tons in 1949 to 530,000 metric tons in 1950 (excluding continental China). The leading exporting countries, Ceylon and India, have in the first ten months of 1950 increased their production approximately 3 per cent above the same ten-month period in 1949.

The expansion in Indonesia during the first eight months of 1950 was about 40 per cent but its production in 1949 amounted to only a little more than one-third of the pre-war level. Indonesia's production in all of 1950 may not exceed 50 per cent of the pre-war level. Estimates for Japan point to an increase during 1950 of more than 10 per cent but the 1950 production is still only about 70 per cent of pre-war. Ceylon's production is, however, about 33 per cent over the pre-war average and India's production nearly 60 per cent above pre-war (see table 44).

Table 44. Tea Production

(Thousand metric tons)

	1934-38 average	Calendar years			Ten months	
		1947	1948	1949	1949	1950
Ceylon	103.9	134.6	135.5	135.4[a]	111.1	114.2
China:						
22 provinces (export only)	41.0	11.7	12.7	..		
Taiwan	11.6	7.8	9.6	3.8		
India	167.6	254.8	258.2	265.9	223.4	229.8
Indochina	10.9[b]	0.8	1.0	..		
Indonesia	74.8	1.5[c]	12.9[c]	27.2[c]	16.1[c] [d]	22.8[c] [d]
Malaya	0.4	0.6	1.0	1.5	..	..
Pakistan	25.6[e]	18.8	19.9	21.0	17.4	19.9[f]
Japan	49.3	22.1	26.0	31.0	–	35.0[g]
TOTAL, AFE countries	485.1	452.7	476.8	500		

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[a] Believed to be under-estimated.
[b] 1938.
[c] Federal Territory only.
[d] 8 months (January - August) only.
[e] 3 years.
[f] Official estimate for all of 1950 is 22.7.
[g] Estimate for the calendar year 1950, based on commercial reports.

Tobacco

Tobacco production in the region has generally been about 10 per cent below the pre-war average all through the post-war years. However, there are exceptions, such as Japan, Thailand and South Korea — all minor producers which show expanding post-war production. Of particular importance is the serious decline in Indonesia's production, as this country in pre-war years was the major tobacco exporter in the region, but production is gradually increasing.

In relation to world trade it is significant to notice the trend in the production of flue-cured tobacco for cigarette manufacturing. India has increased the production of this valuable export crop and so has Thailand, though on a minor scale, but latest reports from China point to a decline in the production of flue-cured tobacco by approximately 70 per cent since 1948.

Forest Products

Rubber

The region accounts for 96 per cent of world production of natural rubber and receipts from rubber exports are larger than those from export of any other primary export commodity. Rubber is also the largest single dollar earner of the region.

Post-war production of natural rubber has been running much higher than in the pre-war years when output was restricted by international regulation. Output in 1950 is estimated at 185 per cent of the 1934-38 average, i.e. about 24 per cent above the 1949 level. Indonesian estate output has remained at the 1949 level, but smallholders' production in Indonesia, Malaya, British Borneo and Thailand has, under the influence of higher prices, exceeded expectations. Production in Ceylon has beaten all previous records, but output in Indochina remains below capacity. Figures of natural rubber production in major territories are shown in table 45.

Table 45. Natural Rubber Production
(Thousand long tons)

Country	*1938*	*1948*	*1949*	*1950*[a]
Malaya	360	698	671	694
Indonesia	319	432	431	684
Ceylon	50	95	90	113
Thailand	42	96	94	112
Indochina	60	44	43	48
British Borneo	28	62	61	82
India	13	15	15	16
Burma	7	9	9	9
Other Asia	1	2	1	2
TOTAL, ASIA	880	1,453	1,415	1,768
Oceania	2	1	1	2
Liberia	3	25	28	55
Other Africa	9	17	17	
Latin America	16	29	27	30
TOTAL, World	910	1,525	1,488	1,850

[a] Based on 11 months' returns, as reported in the *Rubber Statistical Bulletin*, January 1951.

Timber and wood pulp

There has been an increase in saw-log production since 1946, as private and government operations in logging and milling were resumed. In general more and more manpower has been returning to the wood-using industries in those countries where hostilities have subsided and where new outbreaks have not occurred.

There has been an increase in the number of saw-mills, particularly in the Philippines, and more saw-mills have reopened in Malaya, in Indonesia, and in Japan. On the other hand, the number of operating saw-mills in Burma and Indochina, and parts of India and Pakistan, has not increased.[7] An increased demand for sawn lumber since 1946 has greatly stimulated production for export in Malaya and the Philippines. This improved market has been attributable, in part at least, to the adoption of grading rules and the inspection of lumber by government graders before shipment, thus assuring overseas buyers of the quality of the lumber being purchased. There has been a growing interest in modernization of saw-mills and in some instances in the erection of dry-kilns. However, the translation of this interest into actual installations has lagged, owing, in most instances, to need for capital investment.

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[7] See *supra*, section on "Forest" in chapter I on "National Resources and their Utilization".

Production of ply-wood has increased considerably in Japan as supplies of veneer logs and glue have improved. On the other hand, veneer-log supply has begun to pinch mills in several countries, notably Ceylon and India. Another factor which has tended to reduce supply of commercial ply-wood has been the recognition of the need for and enforcement of high quality standards. Production in Malaya and the Philippines has increased considerably since 1946.

Japan's pulp production has been increasing rapidly as pulp-wood, chemicals, and coal have become increasingly available. However, the supply of pulp-wood is still a serious problem inasmuch as pre-war sources are no longer available. Paper production is increasing in Japan and India. The production for Japan is based on coniferous pulp-wood, while that in India has consisted of bamboo and other plant materials. Similarly, paper mills in Thailand, Indochina and Ceylon have also increased their production since the war.

The supply of durable species for railway sleepers has become more difficult since the war and several countries have been forced, as a result, into a practice which should have been employed long ago. Preservative treating plants have been put into operation in Indonesia; Malaya and India have increased their treating installations; Ceylon has obtained equipment for such an installation; and Thailand and Pakistan are seriously considering such preservation work.[8]

Fishery Products[9]

Because only a few countries of the region have effective statistica systems for their fishing industries, it is difficult to give an indication o the current condition of these industries. The best that can be done i to give a tabulation of estimates of levels of production, with the accurate statistics where they are available (see table 46). The current situation can then be indicated in relative terms, on the basis of impressions o the current year *vis-á-vis* other recent years.

During 1950 the total production of the Japanese fishing industry approached 3,200,000 metric tons, an increase of about 75,000 metric ton over the 1949 production. During May 1950 Japanese fishing vessels wer

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[8] The latest available data on production in the region, based on reports from govern ments, are presented in FAO's *1950 Yearbook of Forest Products Statistics.*

[9] Most of thtis section is taken from the report *Status of the Fishing Industries of th Indo-Pacific Region during 1949/50,* prepared by the Indo-Pacific Fisheries Counc for the FAO.

Table 46. Fish Production in Relation to Population and Factors of Production (approximate figures only)[a]

	Population (thousands)	*Men (thousands)*	*Boats (thousands)*	*Production (thousand metric tons)*	*Production tons per man engaged*	*Kilograms per person in population*
Burma	17,000	44	..	..	..	5
Ceylon	7,095	44	12	40	0.91	5.6
China:						
Mainland	457,370	..	..	2,700	..	0.6
Taiwan	6,126	170	20	57	0.34	9.3
Hong Kong	1,800[b]	58	4	52	0.89	32.6
India	342,105	390	70	531	1.36	1.5
Indochina	27,000	..	..	266	..	9.9
Indonesia	76,360	258	25	472	1.83	6.2
Malaya	5,000	71	22	70	1.00	14.0
Singapore	964	5	2	2	0.42	2.1
Pakistan	73,321	200	17	250	1.25	3.4
Philippines	19,234	..	..	249	..	13.1
Thailand	17,666	43	3	150	3.49	8.5
Japan	80,697	2,000	..	3,180	1.09	39.8

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[a] The above figures are intended, except in the case of population, merely to give an indication of order of magnitude. They are grossly rounded from the original figures, some of which were drawn from official publications, others from official and semi-official reports.

[b] 1947.

granted permission to extend their operations in that they were permitted to organize mother-ship type tuna-fishing operations in a limited area south of the area authorized by SCAP for all other Japanese fishing operations.

The Philippine fisheries appear to have maintained their trend toward recovery, having a total production of the order of 250,000 metric tons in the fiscal year 1949/50, which represents an increase of 18 per cent over the production of 1948/49.

Fishing from Hong Kong was good during the year and the market handlings, although affected somewhat by the political situation, continued to show an upward trend. It is possible that these results may be indicative of the prevailing natural conditions of the China coast fisheries, at least in the south. A similar situation of steady increase in supplies was present in Singapore, despite the falling off in supplies drawn from the Indonesian fisheries.

Although no comprehensive statistics are available, there is evidence that no major change in the natural availability of fish took place in Indochina and Thailand during the year, but both countries were affected by the conditions which interfered with the dried fish trade.

The fisheries of India, Pakistan and Ceylon showed slight improvement over the previous year. The Indian mackerel and the oil-sardine fisheries of peninsular India have been on the down-swing of one of the natural fluctuations in abundance which characterize those stocks in their relation to the local fishing operations. The 1949/50 fishing season showed only slight improvement over the previous year.

Gear technology

Japanese mother-ship operations for the tuna fishery in equatorial waters met with success during the first cruise, landing 5,349,148 pounds of tuna through the use of twenty-five catcher vessels. Full information regarding the second expedition is not available, but reports indicate a lesser degree of success on this somewhat smaller-scale operation. Similar undertakings with hand-line fishing on the west coast of southern India are reported to have met with success.

The Japanese fishing industry since the war has effected restoration of its fishing fleets until they exceed the number of vessels before the war. In order to prevent depletion of stocks, the Japanese Diet passed a law to regulate the number of fishing vessels. Under this law, by September 1950 the East China Sea fleet had been reduced from 1,000 to about 700 vessels.

Substantial mechanization of fishing vessels has taken place, the mechanization of junks in Hong Kong being perhaps the most spectacular. Since the mechanization of a pair of junks in 1948, more than sixty vessels have been converted. This is the number recorded in the official register, but it is known that numerous other vessels have been converted without securing the necessary maritime sanction. From Indonesia, it is reported that the United States Economic Co-operation Administration is to assist the Majang fishery by the purchase of sixty mechanized small craft and 100 engines. Mechanized craft have been added to the fishing fleets in other countries and the Governments of Ceylon, Singapore, Pakistan and India have definite plans for encouraging and assisting this development. In India, the Government of West Bengal has added to a number of government-operated mechanized craft by the importation of two vessels from Denmark. The Governments of Bombay and West Bengal have encouraged and assisted the introduction of motor launches for the transport of fish from catching centres to the markets of Bombay and Calcutta.

Technical experts and training

The Indian Government has assisted the importation of Japanese technicians to India and in addition Danes have been employed on contracts in connexion with exploratory operations in West Bengal. Also, Indian students have been sent to Europe and America.

The United States programme of training 125 Filipinos in fishery techniques was completed in October 1950. During 1950, seven outstanding leaders in Japanese government or industry were sent to the United States by SCAP for orientation in administrative, legislative, scientific and technical fields of fisheries.

A number of Chinese from Taiwan (Formosa) were imported to the Philippines for the purpose of developing hand-line fishing operations.

Of the two fisheries schools established by the Government of India for the training of governmental staff in management, development and extension work, the one for marine fisheries at Mandapam was closed. The other school for training in inland fisheries at Barrackpore continued working during the period under report.

Three experts have been requested from FAO to aid the Pakistan Government in final planning of a fish harbour at Karachi. A site has been chosen and a rough plan already sketched.

Processing

Japanese food-fishery technology was surveyed during the year and reported by the Natural Resources Section of SCAP. It was estimated that the Japanese production of vitamin oil during 1950 would be in the order of 4.7 million pounds, of which 1.9 million pounds were exported in the period January to May 1950. Considerable quantities of shark-liver oil were produced in India, mostly for domestic consumption. It was reported that plans have been made for the importation to India of a capsule-making plant for the shark-liver oil factory at Calicut. A fish-freezing and cold-storage plant with a capacity of 300 tons is likely to be in operation shortly at Bombay (India) and a new fish market, wholesale and retail, is also nearing completion there. Steps are being formulated to construct a cold-storage plant and ice factory at the Karachi, Pakistan, fish harbour, and plans are being completed for the construction of a wholesale fish terminal in Bangkok, Thailand, with the assistance of the Economic Co-operation Administration. The experimental processing plant and refrigeration facilities operated in the Philippines by the United States Fish and Wildlife Service were transferred to the Philippine Bureau of Fisheries during the first part of 1950, so that the latter organization is now equipped to carry on a research programme designed to develop and disseminate improved processing techniques. The State Government of Madras, with the assistance of the Government of India, has resumed the supply of salt at subsidized rates for the processing of fish in government fish-curing yards. This has resulted in larger quantities of fish being cured under governmental supervision.

In the canning field, Japanese fisheries expected to produce 100,000-120,000 cases of canned crab, of which 82,000 cases would be available for export. The Japanese pre-war crab-canning industry produced annually about 600,000 cases (each case containing 48 No. 2 cans of 6½ pounds).

Research

The programmes of research in the region received substantial impetus during the period. Reports have been received from all countries of the continuation of research activities and the development of new programmes. The scope of these programmes is indicated, in part, through the number and diversity of technical papers presented to the Council.

The research programme of the Philippine Bureau of Fisheries assumed the continuing phases of the research activities carried on by the United

States Fish and Wildlife Service from 1947 to mid-1950, and received by transfer equipment for oceanographic, bacteriological, biological and other laboratories as well as a 54-foot vessel, the *Jordan,* for fishery exploration and research.

In India, comprehensive programmes of biological research have been undertaken at the Marine and Inland Fisheries Research Stations of the Government of India and other research units of some of the state governments. Research of fundamental academic nature is also being carried on at several Indian universities. The charting of fishing grounds and other exploratory work was continued by the Government of India in the Arabian Sea and similar activities were initiated by the Government of West Bengal in the Bay of Bengal.

Progress was made in reorganizing the Japanese fishery research system in order to place greater emphasis on fish-population studies so as to prevent over-exploitation and insure a maximum sustained yield. Eight regional laboratories established as part of the reorganization were improved through the addition of facilities and personnel. Co-ordination was effected in research problems being conducted by various agencies on important fisheries such as sardines, skipjack, tuna, herring and the trawl fishery of the East China Sea.

CHAPTER IX

Mining and Industry

The statistics of production of major industrial and mineral products in the ECAFE region and in the ECAFE region and Japan combined, which are given in table 47, will serve as a convenient point of departure for this discussion. Apart from the mainland of China, the chief producing countries of the region are included for each particular product, and the table, though not complete, probably does not seriously misrepresent the over-all situation.

In the ECAFE region as a whole, there was a moderate rise in the production of all major industrial and mineral products, with the exception of cotton yarn, which suffered a setback because of special circumstances affecting production in India. Though exact data are lacking for China it is probable that the foregoing generalization would still apply if statistics for that country could be included. Compared with 1938, production in 1950 for those countries in the region for which figures are available was also higher, except in the case of cotton yarn, and production of electricity and cement had more than doubled. Since it is reasonable to suppose that there has been an appreciable increase of population in the region between 1938 and 1950, *per capita* production is probably currently below that of the pre-war year. It is also worth noting that the absolute amount of production, except for the special case of tin, was very small in relation to population. This is evident in most cases from a comparison with Japan.

As for Japan, there was an increase in production in 1950 over 1949 in all fields, but more especially in iron and steel, chemicals and cement. Compared with 1936, there was an increase in electricity, iron ore, pig iron and sulphuric acid, but a decrease in coal, steel, cement and cotton yarn, production of the latter being only about one-third of the pre-war figure. The largest increase was in the production of electric power, and this to some degree compensated for the failure of coal production to regain the pre-war level. When account is taken of the great increase in the population of Japan, production *per capita,* even after deducting the part of production which in 1936 was devoted to armaments, must have been appreciably less in 1950 than in 1936.

In the following sections developments in the production of particular minerals and industrial products are considered in greater detail.

Table 47. Production of Major Industrial and Mineral Products

(In thousand metric tons)

	1938	1946	1947	1948	1949	1950[a]	Relative change in 1950	
							1949=100	1938=100
ECAFE region[b]								
Coal	33,076	30,834	21,249	31,819	33,732	34,670	103	105
Electricity (million kwh)	2,843[b]	4,268[c d]	4,673[d]	5,444	6,000	6,333	106	223
Tin in concentrates	105	19	51	87	99	107	108	102
Iron ore (iron content)	3,380[b]	1,565	1,626	1,495	3,039	..	..	..
Pig iron and ferro-alloys	1,577	1,461	1,458	1,487	1,636	1,708	104	108
Steel ingots and castings	982	1,314	1,277	1,277	1,374	1,461	106	149
Cement	1,964[c]	..	2,040	2,414	3,340	3,928	118	200
Cotton yarn	585	634	578	660	603	536	89	91
Sulphuric acid	..	61	61	81	101	103	102	..
AFE region[e]								
Coal	74,879	51,202	58,484	65,683	71,797	73,131	102	98
Electricity (million kwh)	27,586[b]	30,674[c d]	34,080[d]	37,170	42,007	45,160	108	164
Tin in concentrates	105	19	51	87	99	107	108	102
Iron ore (iron content)	3,683	1,846	1,835	1,800	2,417	..	..	..
Pig iron	3,649	1,673	1,825	2,323	3,239	4,007	124	110
Steel ingots and castings	6,205	1,878	2,218	2,991	4,485	6,308	141	102
Cement	7,636[c]	..	3,272	4,256	6,615	8,386	127	110
Cotton yarn	1,240	692	720	785	760	774	102	62
Sulphuric acid	..	981	1,541	2,026	2,684	3,352	125	..

Sources: See tables 48 to 60.

[a] Provisional.

[b] Countries included under each product in this table are as follows: Coal: India, Indochina, Indonesia, Malaya and Pakistan. Electricity: Ceylon, Hong Kong, India, Indochina, Pakistan, the Philippines and Thailand. Tin-in-concentrates: Burma, China, Indonesia, Malaya and Thailand. Iron ore: Hong Kong, India, Malaya and the Philippines. Pig iron: India. Steel ingots and castings: India. Cement: India, Indochina, Pakistan, the Philippines, Taiwan and Thailand. Cotton yarn: India. Sulphuric acid: India.

[c] Figure does not include Hong Kong.

[d] Excluding Indochina.

[e] Includes Japan. Pre-war figures for Japan refer to 1936.

FUEL AND POWER

Coal

Total production of coal in India, Indochina, Indonesia, Malaya and Pakistan, the only ECAFE countries for which 1950 statistics are available, was greater in 1950 than in 1949 by about 3 per cent. In 1949 total production in these countries had reached about the 1938 level, so that 1950 production exceeded that of 1938 by about 3 per cent. This increase was, however, entirely accounted for by India and Pakistan. Production in Indochina in 1950 was not much more than one-fifth and in Indonesia not much more than half that of 1938. In Malaya it had reached about 87 per cent of the 1938 level. Statistics of production for 1938 and the post-war years are given in table 48.

Table 48. Coal Production
(In thousand metric tons)

	1938	*1946*	*1947*	*1948*	*1949*	*1950*
China						
Excluding Taiwan and Manchuria	..	18,408	19,487	13,800[a]	..	..
Taiwan	1,744[b]	1,058	1,289	..	1,649[a]	..
Manchuria	12,020[b]	..	..	..	11,000[a]	..
India	28,798[c]	30,187[c]	30,481[c]	30,301	31,962	32,506
Indochina	2,335	262	248	355	378	499
Indonesia	1,457	157	223	537	662	799
Korea, South	2,282[b] [d]	251	463	799	1,066	..
Malaya	486	228	230	381	393	422
Pakistan	..	..	67[e]	245	339	444
Philippines	41	47	74	88	123	..
Japan	41,803[b]	20,368	27,235	33,864	38,065	38,461

Sources: United Nations, *Statistical Yearbook 1949-50* and *Monthly Bulletin of Statistics.*

[a] Provisional.

[b] 1936.

[c] 1938, 1946 up to July 1947 figures include present territory of Pakistan.

[d] Whole of Korea.

[e] August to December.

In Indochina the implementation of the plans for mechanizing the anthracite mines of northern Viet-Nam made possible an appreciable increase of production in 1950. It amounted to 499,000 tons, compared with 378,000 tons in 1949, a rise of 32 per cent. In Indonesia and Malaya production in 1950 also rose in comparison with 1949. Production in the Philippines, where most of the coal obtained is used for making cement, was also reported to have increased, but exact figures are unavailable. Production was also rising in South Korea in the early part of 1950.

It is likely that coal production increased on the mainland of China, though it was probably still much below the pre-war level. Coal output in the north-east in 1949 was 10.55 million tons, and production both in that area and in the rest of China was said to have increased in 1950.

It was reported that the Kailan mines in north China were expected to produce 5 million tons in 1950, and in the earlier part of the year some shipments of coking coal were made from these mines to Japan.

In Japan efforts were continued to bring the mines back to their pre-war level of operations. Production increased slightly, from 38 million tons in 1949 to 38.5 million tons in 1950. It failed, however, to reach the 1936 level of 41.8 million tons.

The rehabilitation of coal-mining in the region in the post-war years presented a difficult problem and has, in general, proceeded rather slowly. Labour was in some cases dispersed during the war and equipment was not maintained in good condition. The resultant deterioration in operating conditions has still not been remedied. In some cases, political conditions have been an important factor in retarding production.

Petroleum

The general situation in regard to petroleum production throughout the ECAFE region was that by the end of 1950 it had about regained the pre-war level. In several cases attempts were being made, mostly with only moderate success, to discover new sources of supply.

Complete figures of oil production in Brunei in 1950 are not available, but production in the first nine months of the year was 2,973,000 tons against 3,360,000 tons for the whole of 1949. In 1938 production was only 708,000 tons. Explorations were carried out in new areas of Brunei, and also in North Borneo.

The Burmah Oil Company curtailed its operations at the beginning of 1950, on the grounds that the repair and operation of the pipe-line between the oil-fields and the Syriam refinery could not be undertaken because of the disturbed condition of the country. Operations were confined to producing a small quantity of petroleum products at Chauk for the local market. The amount produced was increased later in the year as delivery conditions in the area improved.

In the mainland of China the Central People's Government reached an agreement with the Government of the Union of Soviet Socialist Republics on 27 March 1950 for the joint exploitation of petroleum and natural gas in Sinkiang. Press reports mentioned the discovery of oil in many places in north and central Shensi. It was also stated that output of oil products in China during the first half of 1950 exceeded the amount planned and was substantially greater than in the corresponding period of the previous year. The chief producing areas were Yumen and Yenchang in North-west China and Fushan in North-east China.

In Taiwan the manufacture of petroleum products, which is mainly from Arabian crudes, declined in 1950 compared with the previous year though it continued to be higher than before the war.

In India prospecting for oil took place during the year at Barsilla n Assam, about a hundred miles from Digboi, where India's present oil production is obtained by the Burmah Oil Company.

Production of crude petroleum rose in Indonesia, where the rehabilitation of refining equipment was almost completed, and production in 1950 reached about 87 per cent of the 1938 level.

Oil prospecting was continued in Pakistan. It is at present in the hands of the Attock Oil Company and the Burmah Oil Company, which, in accordance with the Pakistan Petroleum Production Rules of 1949, are ncorporating new companies, known respectively as the Punjab Petroleum Company and Pakistan Petroleum. Up to the present production has been on a modest scale, but recent prospecting operations have given rise to expectations of larger yields. Though the Burmah Oil Company's operations in Sind proved unsuccessful, prospects in the Patharia Forest area of East Pakistan appeared promising. If these hopes are fulfilled Pakistan Petroleum proposes to construct a refinery in the area. At present here is only one refinery in Pakistan, located at Rawalpindi, which was constructed in 1922 and modernized in 1940. It has a maximum refinery capacity of 4,500 barrels of crude oil a day. Development of oil fields n eastern Baluchistan and the North-West Frontier Province is also contemplated. The possibility has been mooted of establishing a new oil company with capital obtained from within the country, for the purpose of carrying out further explorations.

In Thailand it was reported that oil deposits sufficiently large to justify heir working had been located in the north, and that oil-boring equipment had been ordered from abroad. It was also stated that the Government was planning a large-scale fuel-oil plant.

Production of petroleum in Japan, both from indigenous sources and from imported crudes, continued to rise in 1950.

Electric Power[1]

One of the more hopeful features of post-war economic development n the ECAFE region is the rise in the production of electric power (see able 49). Apart from Burma, the mainland China, Indonesia and Malaya, for which statistics are not available, the largest producers are ndia, the Philippines and Hong Kong. Compared with 1938, production n India had more than doubled by 1950. The increase over 1949 was bout 4 per cent. Philippine statistics are available only for Manila. They how an increase for 1950 of 217 per cent over 1938 and 8 per cent over 949. In Hong Kong production in 1950 increased by about 34 per cent ver 1949.

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[1] See *supra,* section on "Water Power" in chapter I on "Natural Resources and their Utilization".

Table 49. Electric Power Production
(In million kilowatt hours)

	1938	1946	1947	1948	1949	1950	*Relative change in 1950*	
							1949=100	*1938=100*
Ceylon	31	53	54	65	70	81	116	261
China: Taiwan	..	472	576	843	854	1,035	121	..
Hong Kong	..	..	106	150	218	293	134	..
India	2,532[a] [b]	4,032[b]	4,140[b]	4,572	4,920	5,103	104	202
Indochina	101	..	..	108	151	182	121	181
Korea, South	2,336[c] [d]	224	274	490	655	..	..	..
Pakistan	..	..	52[e]	130	169	159[f]	94	..
Philippines[g]	145	150	256	364	423	459	109	317
Thailand	34[h]	33	40[i]	48[i]	53[i]	53[i]	100	156
Japan	24,743[j]	26,406	29,407	31,726	36,007	38,827	108	157

Sources: United Nations, *Statistical Yearbook 1949-50* and *Monthly Bulletin of Statistics;* Central Bank of the Philippines, *Statistical Bulletin;* China (Taiwan) figures are from government.

[a] 1939.

[b] Up to August 1947, including present territory of Pakistan.

[c] 1937.

[d] Whole of Korea.

[e] August to December only.

[f] Estimated.

[g] Manila only.

[h] Year beginning 1 April.

[i] Figures from 1947 to 1950 for Bangkok only.

[j] 1936.

Production of electricity in Japan far exceeds that of any country n the ECAFE region, being about seven and a half times as great as hat of India. In 1950 it was 57 per cent greater than in 1936 and 8 per cent greater than in 1949.

In spite of the increases in electric power production both in the ECAFE region and in Japan, shortages of power for industry were reported[2] in many instances.

Good progress was made in Ceylon with the hydro-electric power scheme. The major part of the first stage of the Laksapana scheme was put into operation towards the end of the year, enabling the existing hermal plants in Colombo to be partially closed. The implementation of the Gal-oya scheme proceeded satisfactorily and plans were considered for further development of hydro-electric projects. In planning industrial development the policy is for the government factories to have their own power units with a surplus capacity which can be distributed to the urrounding area for industrial expansion.

In the mainland of China an increase of electricity production was eported for the first half of the year, though in the early part of the year electric power installations in Shanghai suffered damage from bombing.

In Taiwan the rehabilitation of the Takuan and Chunkung hydro-electric plants was completed. Production rose from 854 million kwh in 1949 to ,035 million kwh in 1950.

The increase in electric power production in Hong Kong was facilitated y the arrival of new equipment from abroad.

In South Korea the low level of electricity production continued to be problem and had a depressing effect on industry before the outbreak f hostilities.

In Pakistan plans were made for several new steam and diesel generating plants and progress was made with extending the capacity at Malakand nd with the Rasul scheme, the Dargai Project, and Stage I of the Mianwali hydro-electric scheme. Some thermal generating plant was shipped to Pakistan from Japan and Japanese technicians visited the country to ssist in its installation. The Burghley Mission estimated that within ve years the demand for electricity would be about 250,000 kilowatts. Present capacity is about 80,000 kilowatts and projects now in hand mount to 257,000 kilowatts, but these will not come into operation uickly enough to keep pace with increased power requirements.

In the Philippines the New Rockwell Station started partial operation September 1950 and it became possible to give Manila full service.

In Singapore and the Federation of Malaya electric power remained nadequate to meet all the demands of industry. It has been estimated hat when all the existing generating plant in the Federation has been rehabilitated, it will be capable of supplying only 80 per cent of the power generated in 1941. The shortage of capacity is estimated at 120,000 kilowatts. Projects are in hand to provide the additional capacity required. The Connaught Bridge Power Station, which will have an ultimate capacity of 80,000 kilowatts, is under construction, and the eventual aim is to interconnect all thermal stations by 132,000 and 66,000 volt transmission lines and to construct a hydro-electric plant of 100,000 kilowatts in the Cameron Highlands.

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[2] Details of electric power utilization are given in ECAFE report E/CN.11/I&T/32, *lectric power resources and needs of ECAFE countries*, 24 December 1950.

In Thailand the shortage of electric power continued to be acute. The Government decided in September to accept the proposal of the International Bank that power from the projected hydro-electric plant a Chainat should be used for Bangkok. Previously it had decided that powe from the bigger project in Kanchanaburi should be used. The Bangko Electric Works also ordered three new generators, two from the Unite Kingdom and one from Japan.

MINING[3]

Iron Ore

Excluding China, the only substantial production of iron ore in th ECAFE region at present takes place in India, Hong Kong, Malaya an the Philippines. The first of these countries is by far the largest produce Production statistics for these countries and for Japan are given i table 50.

Table 50. **Iron Ore Production**
(In thousand metric tons)

	1938	*1946*	*1947*	*1948*	*1949*	*19*
Actual production						
Hong Kong	..	–	–	1	60	1
India	2,788	2,410	2,538	2,322	2,854	..
Malaya	1,642	–	1	1	8	5
Philippines	920	–	–	18	370	6
Japan	624[a]	556	496	556	756	8
In terms of iron content						
India	1,788	1,565	1,625	1,485	1,827	..
Malaya	1,051	–	1	–	5	3
Philippines	564	–	–	10	207	3
Japan	303[a]	280	209	305	389	4

Sources: Statistical office of the United Nations.
[a] 1936.

Figures of iron-ore production in India for 1950 are not available the time of writing. Most of the ore produced is used within the countr and on the basis of the figures for iron and steel production it is probab that there was a small increase in production of iron ore in 1950, comparison with 1949. In the latter year production for the first ti since the war exceeded that of 1938.

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[3] See *supra*, section on "Mineral Resources" in chapter I on "Natural Resources a their Utilization."

Table 51. Production of Tin-in-Concentrates[a]

(In thousand metric tons)

	1938	1946	1947	1948	1949	1950	Relative change in 1950: 1949=100	Relative change in 1950: 1938=100
Burma	5.03	0.35	1.82	1.17	1.81	1.71[b]	94	34
China	10.87[c]	2.74[b]	4.37[b]	4.88[b]	4.27[b]	3.66[b]	86	34
Indonesia	30.20	6.53	16.19	31.10	29.43	32.62	111	108
Malaya	44.07	8.57	27.46	45.53	55.79	58.46	105	133
Thailand	15.06	1.07	1.42	4.31	7.94	10.53	133	70
Total five ECAFE countries	105.23	19.26	51.26	86.99	99.24	107.00	108	102
TOTAL, World[c]	168.00	90.00	114.00	154.00	165.00	170.00	103	101
ECAFE total as percentage of world total:	63	21	45	57	60	64		
World consumption of tin metals (in thousand metric tons):	153	113	133	138	121	154	127	101

Sources: International Tin Study Group, *Statistical Bulletin;* 1950 figure of Thailand is from government data.

[a] Metal content.

[b] Estimate.

[c] 1936.

In the Federation of Malaya, where an American company is now operating some of the mines formerly worked by the Japanese, production rose from a negligible amount in 1949 to over 500,000 tons in 1950. This was still less than one-third of the production in 1938. There was also a sharp rise in Hong Kong, which began to produce appreciable quantities only in 1949. Production in 1950 increased to 172,000 tons, which was almost three times that of the previous year. In the Philippines there was an increase of 62 per cent over 1949 and production reached almost two-thirds of the 1938 figure. Virtually all of the production of Malaya, Hong Kong and the Philippines is for export to Japan.

Some iron ore was also produced in Indochina, Korea and Thailand. Details are not available, though the amounts were certainly small. It was reported that in 1950 all important iron ore mines in China had resumed operations, and it is probable that production increased in comparison with 1949. Japan continued to exploit intensively its own exiguous resources of iron ore, owing primarily to the difficulty of obtaining supplies from abroad. Production rose from 756,000 tons in 1949, when for the first time in the post-war period the 1936 production was exceeded, to 822,000 tons in 1950.

Tin

Production of tin in Indonesia, Malaya and Thailand, stimulated by the high prices resulting mainly from stockpiling purchases by the United States and other countries, continued to rise in 1950. For Burma and China estimates only are available, and these indicate that production decreased somewhat in 1950 compared with 1949. The available statistics of production of tin-in-concentrates are given in table 51.

The table shows that, compared with 1949, production in 1950 increased by 2,600 tons in Thailand, 2,700 tons in Malaya, and 3,200 tons in Indonesia. The percentage increases were 33 per cent for Thailand, 11 per cent for Indonesia, and 5 per cent for Malaya. In the latter country a large increase in production had already taken place in 1949, and there was less opportunity for further expansion than in the case of Indonesia and Thailand.

In comparison with 1938, Malaya is the only country which has increased production very substantially. Production in 1950 was a third greater than in 1938. In Indonesia it was 8 per cent greater, and in Thailand 1950 production had still reached only a little more than two-thirds that of 1938.

In Indochina efforts were made to revive tin production. The *Société d'études et d'exploitation minière de l'Indochine,* which operates at Phontiou in Laos, began to restore its installations in 1949. By May 1950 part of the dredging equipment had been restored to operation and about 100 tons of concentrates, with a 53 per cent metal content, were produced in 1950. More of the equipment should be in operation in 1951, and the pre-war monthly production of 100 tons of concentrates should then be reached.

Ferro-Alloys and Other Non-Ferrous Metals

Among the ferro-alloys and non-ferrous metals not already dealt with, which are mined in the ECAFE region and Japan, are tungsten, antimony, manganese, chromite, molybdenite, ilmenite, bauxite, copper, lead and zinc. Information on production of these metals in 1950 is very scanty.

China is the world's largest producer of *tungsten,* and production in the post-war years, prior to 1950, was running at the rate of about 7,000 tons a year. No statistics are available for 1950. Small quantities of tungsten were also produced in Burma, Malaya and Thailand. Burma was before the war the second largest producer in the world.

China is also a large producer of *antimony,* and production in the post-war years prior to 1950 was at the rate of about 5,000 tons a year.

India is a very important producer of *manganese.* Of the 550,000 tons produced in 1949, about 85 per cent was exported. One of India's important customers for manganese is Japan.

Chromite is produced in India, Pakistan and the Philippines. Indian production is about 20,000 tons a year. Pakistan has good supplies in the Hindubagh District of Baluchistan, where production in 1942 reached nearly 40,000 tons. In the past five years it has averaged nearly 19,000 tons a year. In 1950, production was 18,416 tons, compared with 16,433 tons in 1949 and 22,713 tons from the same territory in 1938. Chromite production in the Philippines was gradually regaining its pre-war level, but it is reported that it declined in 1950 as compared with 1949, though no details are available.

India continued to be the world's largest producer of *ilmenite,* accounting for about three-quarters of world production. In the Federation of Malaya, ilmenite is mined in association with tin, and exports have been increasing.

Production of *bauxite* in Indonesia has recently been rising rapidly. The ore is exported to Japan and the United States. Indian bauxite production also rose in 1950, and most of India's production of aluminium is now derived from local bauxite supplies.

Burma, before the war, was a substantial producer of *lead, zinc* and *copper.* Owing to disturbed political conditions, very little has been produced in the post-war years. Copper production in India was virtually the same in 1950 as in 1949, at approximately 6,500 tons. India also has some small lead deposits and production has been rising in recent years. Japan is fairly well supplied with zinc and was also formerly a large producer of copper. The copper deposits, however, which have been worked for centuries, are becoming steadily less productive, and at the same time the demand for copper in Japan has risen greatly, so that Japan, which once exported copper in fairly large quantities, must now import considerable amounts to meet its own needs. Lead production in Japan meets only a small part of Japan's own needs.

Gold production in the region has declined to a small percentage of the pre-war amount. In Korea, it was formerly of considerable importance to the economy of the country, but in the post-war years it has been at a very low level. There was an increase in the Philippines in 1950 of 16 per cent in comparison with 1949, but it was still only 46 per cent of 1937 production.

DURABLE MANUFACTURING INDUSTRIES

Cement

The total amount of cement produced during 1950 in China (Taiwan only), Hong Kong, India, Indochina, Pakistan, the Philippines and Thailand increased by 18 per cent over 1949 and was greater than in 1938 by the substantial amount of 104 per cent (see table 52).

Pakistan production was about the same in 1950 as in 1949. Total capacity in Pakistan is about 600,000 tons a year, but production is currently only about 70 per cent of capacity owing to the poor condition of some of the kilns.

In Indochina production in 1950 was 6 per cent less than in the preceding year and reached only 54 per cent of the 1938 level. The activities of the insurgents made it difficult to obtain supplies of limestone from the quarries of north Viet-Nam and considerably restricted the operations of the cement works, though production was rising in the last quarter of the year. It is expected that in 1951 it will be possible to bring capacity back to the pre-war level of 300,000 tons a year, but to utilize this capacity to the full it will be necessary to undertake a programme of mechanization of limestone quarrying and handling.

In India three new cement factories were opened and the capacity of some of the existing plants was expanded.

Good progress has been made since the war in the rehabilitation of cement plants in Taiwan, and production has steadily risen from 97,000 tons in 1946 to 332,000 tons in 1950.

There was a 36 per cent increase of cement production in Japan in 1950 compared with 1949, but production was still only 79 per cent of the 1936 level.

Statistics are given in table 52.

Aluminium

Production of aluminium in the ECAFE region is very small. Apart from the mainland of China and Taiwan, manufacture is confined to India. India has good supplies of bauxite and production of aluminium has been rising slowly. In 1950 it reached 3,654 tons. In Taiwan production in

Table 52. Cement Production

(In thousand metric tons)

	1938	*1946*	*1947*	*1948*	*1949*	*1950*	*Relative change in 1950*	
							1949=100	*1938=100*
China: Taiwan	12[a]	97	193	236	291	332	114	2,767
Hong Kong	..	..	34	53	58	68	117	..
India	1,427[b]	2,068[b]	1,636[b]	1,568	2,136	2,655	124	186
Indochina	266	..	41	98	153	144	94	54
Indonesia	211[c]	..	118	..	..	240	..	114
Korea, South	570[a] [d]	11	16	17	24	..	..	..
Pakistan	–	–	108[e]	309	427	412	96	–
Philippines	167	52	134	120	205	240	117	144
Thailand	92[f]	9[g]	59	83	128	165	129	179
Japan	5,672[a]	927	1,232	1,842	3,275	4,458	136	79

Sources: Statistical Office of the United Nations.

[a] 1936.

[b] Including present territory of Pakistan up to August 1947.

[c] Pre-war average of 1935-39.

[d] Whole of Korea.

[e] August to December

[f] Year beginning 1 April.

[g] October to December.

1950 was 1,821 tons. In North-east China, the aluminium plant in Fushun near Mukden was reported to have resumed operations in 1950.

The Japanese aluminium industry has steadily revived in the post-war years and production is considerably above that of 1936, though it is still much below capacity.

Figures for India and Japan are given in table 53.

Table 53. Aluminium Production

(In metric tons)

	1936	*1946*	*1947*	*1948*	*1949*	*1950*
India	..	3,296	3,267	3,416	3,546	3,654
Japan[a]	4,692	3,190	2,700	6,960	21,216	25,212

Source: Ministry of Industry and Supply, *Monthly Statistics of the Production of Selected Industries of India;* SCAP, *Japanese Economic Statistics.*

[a] Primary production only.

Iron and Steel

Other than China, for which no statistics are available, the only major producer of iron and steel in the ECAFE region is India. Production figures for India and also Japan are given in table 54.

The table shows that production in India in 1950, in comparison with 1949, rose by 6 per cent for steel ingots and castings and 8 per cent for finished steel. In comparison with 1938, the increases were 49 per cent and 43 per cent respectively. The increase in the production of pig iron and ferro-alloys was 4 per cent over 1949 but only 8 per cent over 1938. The reason for the much greater increase in output over 1938 of steel ingots and finished steel than of pig iron is that before the war India exported a substantial proportion of its pig iron, but the additional steel capacity now available permits a greater part of the pig iron to be used in India. The increases in production in 1950 were achieved in spite of a breakdown of Tata's blooming mill and technical difficulties experienced by the Steel Corporation of Bengal.

Japan's iron and steel production increased sharply. The production of both steel ingots and castings and of finished steel increased by 56 per cent, while production of pig iron and ferro-alloys increased by 44 per cent. In comparison with 1936, when Japan imported a large quantity of pig iron, production of pig iron and ferro-alloys was 11 per cent greater in 1950, although production of steel ingots was 7 per cent less and of finished steel 24 per cent less. Japan has thus become more dependent on its own production of pig iron than formerly. The supply position for iron ore, pig iron and crude steel in Japan in 1936 and the post-war years is shown in table 55.

Table 54. India and Japan: Iron and Steel Production

(In thousand metric tons)

	1938	*1946*	*1947*	*1948*	*1949*	*1950*	*Relative change in 1950*	
							1949=100	*1938=100*
Pig iron and ferro-alloys								
India	1,577	1,461	1,458	1,487	1,636	1,708	104	108
Japan	2,072[a]	212	367	836	1,602	2,299	144	111[a]
Steel ingots and castings								
India	982	1,314	1,277	1,277	1,374	1,461	106	149
Japan	5,223[a]	564	941	1,714	3,111	4,847	156	93[a]
Finished steel								
India	713	905	908	870	945	1,018	108	143
Japan	4,548[a]	461	653	1,263	2,220	3,471	156	76[a]

Sources: United Nations, *Monthly Bulletin of Statistics;* Ministry of Industry and Supply, *Monthly Statistics of the Production of Selected Industries of India;* SCAP, *Japanese Economic Statistics.*

[a] 1936.

Table 55. Japan: Supply of Iron Ore, Pig Iron and Crude Steel

(In thousand metric tons)

	Production	*Import*	*Export*	*Net supply*
Iron ore				
1936	624	4,023	–	4,646
1946	556	–	–	556
1947	496	–	–	496
1948	556	531	–	1,087
1949	756	1,585	–	2,341
1950	822[a]	..	..	..
Pig iron[b]				
1936	2,008	1,095	1	3,101
1946	198	2	–	200
1947	355	8	–	363
1948	808	11	–	819
1949	1,549	138	–	1,687
1950	2,233	..	..	..
Steel (ingots and castings)				
1936	5,223	242	14	5,451
1946	564	–	–	564
1947	941	–	–	941
1948	1,714	–	–	1,714
1949	3,111	–	–	3,111
1950	4,847	..	..	..

Source: SCAP, *Japanese Economic Statistics,* January 1951.

[a] Provisional.

[b] Excluding ferro-alloys.

There were few developments of interest in connexion with iron and steel production in the other countries with which this study is concerned. In Pakistan, a mission from the United States Steel Company made a report towards the end of the year recommending modernization of existing facilities, building up of a stockpile of billets and installation of additional furnaces and finishing equipment. Pakistan's existing small iron and steel industry, which is located mainly in Lahore and Karachi, consists of two electric furnaces rated at 11,000 tons annually; twenty-nine rolling mills with a total capacity of 70,000 tons a year, producing reinforcing bars and light structurals from imported billets and re-rollable scrap; and about two hundred foundries, which produce a fairly wide range of machinery and spare parts. Two more rolling mills are being installed in Karachi, and these will increase the capacity by 21,000 tons a year.

Machinery

The only substantial producer of machinery in the ECAFE region is India. Production of the more important kinds of machinery and electrical appliances in that country is shown in table 56. It can be seen from the table that, except for machine tools and some types of electric insulators, there was an over-all increase in production in 1950 as compared with 1949. In the case of machine tools, manufacturers were not working to capacity owing to the accumulation of stocks. It can also be seen from the table that the types of machinery made in India are for the most part n the light category, and that the total quantity produced is still small, compared, for example, with that in Japan.

Table 56. India: Production of Selected Machinery Products

Item and Unit	*1948*	*1949*	*1950*	*Relative change in 1950 (1949 = 100)*
Machinery products				
Diesel engines (unit)	1,025	2,076	4,596	221
Electric motors (thousand h.p.)	60	68	82	121
Machine tools (value in thousand Rs.)	5,473	4,729	2,660	56
Sewing machines (thousand)	20	25	31	123
Bicycles (thousand)	65	88	104	118
Electric appliances				
Electric transformers (thousand kva.)	82	109	172	158
Insulators L.T. (thousand)	2,503	2,239	1,279	57
Insulators H.T. (thousand)	90	137	174	127
Electric lamps (thousand)	9,246	13,641	14,307	105
Electric fans (thousands)	180	179[a]	194[a]	108
Motor car batteries (thousand)	110	107	187[a]	175

Source: Ministry of Industry and Supply, *Monthly Statistics of the Production of Selected Industries of India.*

[a] Provisional.

Production of machinery in Japan declined slightly in 1950, compared with 1949, and was substantially below the level of 1936. There was an ncrease, compared with 1949, in the production of transport equipment, owing to a substantial rise in ship-building and some increase in the manufacture of motor vehicles, which together more than offset a decline in the production of railway equipment. There was a decrease in several other types of machinery, particularly pronounced in the case of machine tools, cotton looms and mining machinery. The principal increases were n equipment for the iron and steel and chemical industries. Statistics are given in table 57.

NON-DURABLE MANUFACTURING INDUSTRIES

Textiles

The only major textile-producing country in the ECAFE region, other than China, is India. Statistics of production of cotton yarn, cotton fabrics and jute manufactures in India are given in table 58, which also shows the production of cotton yarn and fabrics in Japan.

Table 57. Japan: Output of Selected Machinery Products

	1936	*1946*	*1947*	*1948*	*1949*	*1950*
Transport equipment (units)						
Railway locomotives	348[a]	216	166	38	123	118
Industrial locomotives	444[b]	372	485	510	441	417
Railway freight cars	5,724[a]	1,236	868	4,398	3,099	2,228
Industrial freight cars	7,104	3,012	8,379	19,345	9,652	9,023
Motor vehicles	37,704[a] [c]	18,552	21,123	47,017	66,459	75,180
Steel vessels (gross tons)[d]	294,000[e]	143,856	83,568	162,898	164,405	230,016
Diesel engines and other internal-combustion engines (units)	..	..	34,728	75,984	106,312	99,559
Machine tools (units)	16,224[a]	4,788[a]	5,736	8,052	6,695	4,035
Industrial machinery (thousand metric tons)						
Cotton spinning frames (units)	..	..	..	..	1,832	2,189
Cotton textile looms (units)	..	..	11,885	36,837	40,681	24,531
Power transmission equipment	..	..	3.1	7.3	14.2	13.7
Pumps	..	..	14.5	14.8	14.5	10.4
Mining and excavating machinery	..	..	12.7	26.2	31.3	19.7
Construction machinery	..	..	6.9	11.0	6.7	9.0
Iron and steel works and coke-oven plant equipment	..	..	23.2	37.3	61.9	71.4
Chemical industry machinery and equipment	..	..	32.3	26.7	42.0	53.5
Food products machinery	..	..	7.1	5.7	12.1	9.9
Overall index (base: 1932-1936 = 100)						
All machinery	146.4	60.8	64.8	98.2	114.5	113.0[f]
Transport equipment	152.0	68.5	47.7	96.2	96.7	101.6[f]
Other machinery	143.1	55.8	76.7	99.8	126.9	121.1[f]

Source: SCAP, *Japanese Economic Statistics,* January 1951; January 1950 December 1948.

[a] Year beginning 1 April.

[b] 1937.

[c] 1938.

[d] 100 tons and over.

[e] From United Nations, *Statistical Year Book, 1949/50.*

[f] Provisional.

The table shows that in comparison with 1949, there was a sharp fal in Indian production of textiles in 1950. Cotton yarn production fell b 11 per cent, cotton fabrics by 3 per cent and jute manufactures by 9 pe cent. In comparison with 1938, cotton yarn production was lower b 8 per cent, cotton fabrics by 15 per cent, and jute manufactures b 34 per cent.

Table 58. India and Japan: Production of Cotton Yarn, Cotton Fabrics and Jute Manufactures

	1938	*1946*	*1947*	*1948*	*1949*	*1950*
Cotton yarn (in thousand metric tons)						
India	585[a]	634[a]	598[a]	660	603	536
Japan	655[b]	58	122	125	157	238[c]
Cotton fabrics						
India (in million metres)	3,937[a]	3,680[a]	3,425[a]	4,044	3,480	3,360
Japan (in million square metres)	2,923[b]	202	554	772	823	1,289[c]
Jute manufactures						
India (in thousand metric tons)	1,286	1,106	1,068	1,103	958[d]	850[d]

Relative change in 1950

	Cotton yarn		*Cotton fabrics*		*Jute manufactures*	
	1949=100	*1938=100*	*1949=100*	*1938=100*	*1948=100*	*1938=100*
India	89	92	97	85	91	66
Japan	151	36[b]	157	44[b]		

Source: Statistical Office of the United Nations.

[a] Including present territory of Pakistan up to August 1947.

[b] 1936.

[c] Provisional.

[d] Beginning 1949 figures refer to the production by mills in the membership of the Jute Mills Association.

The decline in cotton textile production was due to the general shortage of cotton, the closure of some mills because of the deterioration of their equipment, and strikes and absenteeism. The textile-mill strike in Bombay, which lasted from 14 August to 16 October, caused an estimated loss in production of 203 million yards of cotton cloth and 53 million pounds of cotton yarn.

In Indochina the *Société cotonnière du Tonkin* increased its production from 950 tons of cotton yarn and 730 tons of fabrics in 1949 to 1,760 tons of yarn and 2,030 tons of fabrics in 1950. The damage to the factory at Nam-Dinh was completely repaired, but for security reasons it could be operated for only one shift and production was only one-third of the pre-war amount.

Pakistan has a small cotton-spinning and weaving industry, in addition to numerous cotton-ginning and pressing factories. There are 304,200 spindles and 5,234 looms, with a capacity of 1,630 tons of yarn and 82 million metres of cloth monthly. Production in 1950 was running at full capacity for yarn and about 85 per cent of capacity for cloth. This was insufficient to meet domestic requirements.

In Japan there was a large increase in 1950 in production of both cotton yarn and cotton fabrics. The former was 51 per cent greater than in 1949, and the latter 57 per cent greater. However, in comparison with 1936, production was still low. Cotton yarn and cotton fabric manufacture were still only 36 per cent and 44 per cent respectively of the amounts produced in 1936.

In regard to jute manufactures, the decline in India in 1950, which was 12 per cent in comparison with 1949 and 34 per cent in comparison with 1938, was due to the inability to obtain raw jute in sufficient quantities from Pakistan. The Government of the latter country reached the decision to establish three jute mills equipped with a thousand looms each. Two-thirds are to be used for making hessians and the rest for making gunny bags. In addition, it was proposed to have 500 looms operating by the end of 1950.

Statistics of textile production in Japan are given in table 59. They show that the position in regard to rayon and woollen yarn and fabrics was generally similar to that of cotton, viz., that a substantial increase occurred in 1950 compared with 1949, but production was still very much below that of the pre-war year.

Table 59. Japan: Production of Woollen and Rayon Textile Goods

	1936	*1946*	*1947*	*1948*	*1949*	*1950*
Yarn (in million pounds)						
Woollen	52	21	20	20	23	39
Rayon	309	20	30	61	107	192
Rayon filament	279	9	16	36	67	103
Spun rayon	30	11	14	25	40	89
Fabrics (in million square yards)						
Woollen and worsted	317	23	21	25	34	79
Rayon	1,044	73	78	90	191	607
Filament rayon	927	42	46	40	120	397
Spun rayon	117	31	32	49	71	210

Source: Statistical Office of the United Nations.

Table 60. India: Output of Selected Chemical Products
(In thousand metric tons)

	1948	*1949*	*1950*
Chemical fertilizers			
Ammonia sulphate	35.78	46.67	48.07
Superphosphate	21.70	47.47	53.27
Soda and allied products			
Soda ash	29.62	18.21	44.49
Caustic soda	4.45	6.40	11.02
Liquid chlorine	1.83	2.69	4.03
Bleaching powder	2.88	2.51	3.36
Sulphuric acid	81	101	103[a]
Soap	122	71	74
Paper and paper products	99	105	111
Alcohol (in million litres)			
(*a*) Industrial	17.24	13.85	22.33
(*b*) Power	17.16	19.23	20.44

Source: Ministry of Industry and Supply, *Monthly Statistics of the Production of Selected Industries of India.*

[a] Provisional.

Chemicals

The only country in the ECAFE region, excluding China and Korea, hich produces substantial quantities of heavy chemicals for fertilizers, dustrial and miscellaneous uses, is India. Statistics for 1948 and 1949 nd provisional figures for 1950 are given in table 60.

The statistics show that there was an increase in production in all ranches of the industry, in comparison with 1949. Except in the case of oap, 1950 production was also greater than in 1948. Fertilizer production as been encouraged by the Government, with the object of increasing e food supply, and considerable progress has been made in the last ree years, though the total production is still relatively small. Production f the chemicals derived from salt, viz., soda ash, caustic soda and chlorine, as also risen substantially.

As shown in table 61, there was also an over-all rise in chemical produc- on in Japan compared with 1949. With the single exception of ethyl lcohol, production has been steadily increasing during the post-war years.

Table 61. Japan: Output of Selected Chemical Products
(In thousand metric tons)

	1936	*1946*	*1947*	*1948*	*1949*	*1950*[a]
hemical fertilizer						
Ammonia sulphate[b]	875	469	721	946	1,232	1,570
Calcium cyanamide[b]	215	145	175	205	350	457
Calcium superphosphate[c]	1,437	200	709	955	1,161	1,408
oda and allied products						
Soda ash (finished)	233[d]	23	38	76	123	165
Caustic soda[e]	299[d]	29	43	108	146	195
Liquid chlorine	10[d]	2	4	6	11	17
Bleaching powder	67[d]	7	13	28	43	50
ulphuric acid[f]	2,891	920	1,480	1,945	2,583	3,249
ye-stuffs	19	2	3	5	7	9
oap	192	16	5	14	25	88
aper	1,057	209	283	424	626	881
Iethyl alcohol (99 per cent)	4	5	4	8	11	22
thyl alcohol (thousand kilolitres)	6	16	19	29	26	23
ver-all index (base: 1932-1936 = 100)						
All chemicals	132	27	35	56	81	123
Heavy chemicals	142	43	64	103	138	175
Other chemicals	128	21	23	38	58	102

Sources: SCAP, *Japanese Economic Statistics,* January 1951.

[a] Provisional.

[b] Converted to 20 per cent N_2 content.

[c] Converted to 16 per cent P_2O_5 content.

[d] Year beginning 1 April.

[e] 97% NaOH.

[f] Converted to 50° Bé.

Production of ammonium sulphate and calcium cyanamide was respectively 80 per cent and 112 per cent greater than in 1936, and production of calcium superphosphate nearly reached the 1936 level. Production of the salt-based chemicals and dyestuffs was still well below that of 1936 and reflects the low level of textile production in Japan compared with the pre-war period. Production of soap, though there was a sharp rise compared with preceding post-war years, was still less than half that of 1936.

The other countries in the region produce very little in the way of chemicals. Pakistan has a small soda ash, sulphuric acid, soap and glycerine industry. In China there are plants for the manufacture of calcium cyanamide and calcium superphosphate in Taiwan, which are used locally as fertilizers. Steps have been taken since the end of the war to rehabilitate the plants, and since 1949 production has been at the rate of about 46,000 tons a year. Taiwan also produces small quantities of caustic soda, bleaching powder, chlorine and other chemicals.

Cottage Industries[4]

Though little statistical information is available on cottage and small-scale industries in the ECAFE region, it is desirable at least to make som general comments on them, in view of their importance to the region Their importance can be judged from the fact that, in the manufactur of textiles alone, they are estimated to provide full-time employment fo 2,500,000 workers in India, 300,000 in Pakistan, 200,000 in Burma, an large numbers in other countries. From 20 to 30 per cent of the require ments of cotton textiles in these countries are met from this source.

In general these industries produce for local needs, but they includ handicraft making articles of artistic value and some special product which have a wider market. Examples of the latter are the lock industr of Aligarh in India and the cutlery and sports goods industries of Sialko in Pakistan. Cottage and small-scale industries include the manufactur of textiles, carpets, articles of wood, metal and leather, pottery an paper. Some of them may be regarded as independent industries, whil others are suppliers to large-scale industries. In general, there is muc room for improvement in organization, production technique, design an marketing.

The importance of improving the productivity of these industries ha come to be recognized, but as yet little has been accomplished toward this end. The Governments of India and Pakistan recently made survey of cottage and small-scale industries, with a view to obtaining the infor ation necessary to draw up a programme for their development. Several ountries, including Burma, Ceylon, India and Indonesia, have training entres for workers in cottage industries, particularly textiles. These have ot always achieved their object, however, since trainees sometimes do ot return to their villages, and if they do generally cannot set up nproved equipment because of lack of capital.

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[4] This section is based on a report entitled *Cottage and small-scale industri* (E/CN.11/I&T/30) prepared for the third session of the Committee on Industry ar Trade of the Economic Commission for Asia and the Far East, which was held Lahore in February 1951.

In some countries of the region, including Burma, China, India, Indo-ina and Pakistan, improved methods of financing and marketing have een achieved through co-operatives. Governments have also assisted in ome countries, e.g., Burma, Ceylon, India and Indonesia, by measures esigned to maintain quality, such as laying down standards and the inspec-on and stamping of products.

In Japan, where the traditional policy has been to encourage co-opera-ves in such industries, many manufacturers' associations have developed or buying, selling, transporting, finishing, and maintaining prices. Trade ssociations undertake inspection of goods, especially for export. Some-mes the Government itself provides inspection services. These industries ave also been assisted by the provision of cheap electric power and the overnment has also helped by providing training and research facilities.

CHAPTER X

Transport

GENERAL SURVEY OF THE TRANSPORT SITUATION

Considering its vast area and population, the ECAFE region is ver poorly served with inland transport facilities. This will be evident fron the following basic statistics:

	Heads of population per	
Region	*Route km. of railways in 1948*	*Registered motor vehicles in 1947*
ECAFE countries	9,700	2,440.0
United States	390	3.8
Western Europe	980	43.4[a]
Japan	4,200	665.0

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[a] Excluding Germany.

This deficiency has been one of the major features of economic unde development of the region. It naturally follows that the restoration an improvement of transport facilities have figured prominently in th various over-all post-war development plans of the countries of the regio For instance, in the Colombo Plan the transport and communicatic development schemes of Ceylon, India, Pakistan and British territori in the region provide for an expenditure of £627 million, or $1,756 millio representing 34 per cent of the total estimated expenditure on the econom development plans of these countries during the six years 1951-19 (£1,868.4 million or $5,231.5 million). In Indonesia, out of the nine projec submitted to the United States Export-Import Bank for the credit $100 million extended in 1949, five concern transport and provide for expenditure of R. 249 million out of a total of R. 370 million. Thailar has earmarked $3 million for rehabilitation of its railways and $4.4 milli for port development from loans obtained from the International Ba for Reconstruction and Development in October 1950. The Bank h also, in June 1950, made a sum of $32.8 million available as a loan India for the purchase of railway motive power.

The rate at which development schemes will materialize will depe on three main factors: availability of funds, of equipment from abroa and of adequate technical personnel.

For the financing of these projects, governments are exploring ways and means of raising funds internally as far as possible, and externally, to the extent necessary by borrowings from the International Bank and, in the case of certain Commonwealth countries, also by drawings from their sterling balances.

The supply position which had eased since about 1949 continued to remain so until about the middle of 1950, after which it tended to become more difficult as a result of the Korean war.

The following new stock was put into service by the Indian Railways and the Royal State Railways of Thailand during 1949/50:

	India	*Thailand*
Locomotives	412	52
Coaches	619	104
Wagons	1,444	500

Almost all countries are handicapped by lack of trained personnel, particularly in the technical field. This shortage has not only delayed rehabilitation of transport but has also made difficult the restoration of pre-war standards of efficiency. Governments are making efforts to train personnel by developing training facilities and by sending students overseas and, when necessary, are also recruiting experts from abroad on a contract basis.

The Commonwealth Consultative Committee, at its meeting in May 1950, decided to set up a technical assistance scheme to which Commonwealth countries have agreed to contribute an amount up to a maximum of £3 million over three years. The joint activities of the United Nations Technical Assistance Administration, the Council for Technical Co-operation which has been established with headquarters at Colombo, and the United States technical assistance programme should be of considerable aid in making up the deficiency both in trained personnel and in training facilities.

Some of these schemes came into effect during 1950 and several countries of the region took advantage of them. These schemes include the sending of senior railway, highway and waterway officials to more advanced countries for study of modern techniques. Similarly, in the field of aviation, a series of training programmes was worked out to overcome the lack of trained personnel under the United Nations Technical Assistance Programme.

Meanwhile, to obtain immediate results, government policy has been directed towards improving the operating efficiency of various means of transport, with a view to the best utilization of existing transport capacity, so that the largest possible volume of traffic may be moved by the most economical means. It seems to be generally recognized that a central authority is necessary not only to provide co-ordination between the various forms of inland transport, but also to integrate over-all transport development plans in the economic interest of the country as a whole.[1] It is felt that some sort of statutory control — to be applied in varying degrees to suit the requirements of each country — is necessary to integrate the activities of the various transport undertakings. While almost all countries already own and operate their railways, for other means of transport various measures have either been adopted or are contemplated to bring them under some form of state control.

The general state of maintenance of transport equipment improved during the year, although in most cases pre-war standards of maintenance have not yet been reached, due mainly to the lack of trained personnel and shortage of material. The availability of transport equipment to meet the requirements improved correspondingly with the progressive improvement in operating results.

Restoration of damaged transport routes made satisfactory progress during the year. In Burma, by the end of the year, rail services were resumed on the lines Rangoon-Prome, Rangoon-Pyamana and Rangoon-Kuabe; the river service between Rangoon and Mandalay was reopened. In China by the end of 1950 the railway system was basically restored to pre-war status. For the first time in thirteen years traffic was resumed over the entire length of track between Peking and Hankow and between Hankow and Canton. Also there was considerable improvement in regard to the road system. In Indonesia and the Philippines good progress has been made in the restoration of the transport systems. Nevertheless political difficulties continue to hamper improvement of transport in some of the countries of the region.

TRANSPORT FACILITIES, THEIR UTILIZATION AND DEVELOPMENT

Railways

Table 62. Length of Railway Lines
(In kilometres)

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*
North Borneo	..	..	..	..	187	..
Burma	3,315	..	2,430[a]	2,860[a]	2,850[a]	..
Ceylon	1,530	1,469	1,469	1,439	1,442	1,444
China[b]	7,416[c]	12,788	13,366	13,066	18,391	..
Hong Kong	36	36	36	36	36	..
India	66,106	65,208	54,466[k]	54,693	54,494	53,244
Indochina[d]	2,524	868	1,259	1,353	..	..
Indonesia[e]	6,783[f]	..	2,494	3,235	4,607	6,395
Korea	3,576[c]	2,558	2,558	2,558	2,568	..
Malaya	1,719[h]	..	1,304	1,384	1,400	..
Pakistan	–	–	10,752	..	11,256	..
Philippines	1,352[i]	908	875	877	900	..
Thailand	3,100	3,272	3,213	3,213	3,272	..
Japan[a] [j]	17,138[c]	19,620	19,692	19,752	19,760	19,765

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[1] See *infra*, section on "Co-ordination of Transport".

raffic

In most countries, demand for rail transport exceeded rail capacity. ot only was the upward trend in passenger and freight traffic maintained n almost all countries during 1950, but in certain countries, notably India, apan and Pakistan, even the pre-war level was surpassed. In Burma, the

Table 63.

Railway Freight Ton-Kilometres

(In millions)

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*
urma[a][b]	1,141[e]	284	521	626	160	92
hina:						
Mainland[a]	6,489[d]	3,756	5,270	4,784[e]	..	..
Taiwan	847	334	511	623	780	..
ong Kong	1.00[f]	7.36[e]	4.31	2.81[e]	3.12	..
ndia[c]	36,234	44,119	33,356[p][g]	37,197	39,297	40,666
ndochina[h]	338	15	42	78	127	135
orea[i]	2,225[d]	624	996	1,041	1,281[e]	..
alaya	262[f]	258	273	316	325	396
akistan[c]	..	..	1,542[j]	3,159	3,620	4,079[e]
hilippines[k]	162	81	81	125	163	150
hailand	453[c]	118	224	301	405	480
apan[l]	15,657[c][d]	16,553[c]	21,016[c]	25,303[c]	28,494[c]	29,788

Railway Freight Carried

(In million metric tons)

orth Borneo	0.01	..	0.02	0.02	0.03	..
eylon[b]	0.92	1.39	1.13	1.24	1.29	1.30
ong Kong	0.48	0.19	0.13	0.09	0.04	0.03
ndonesia	9.72	..	1.02[m]	2.86	4.98	5.33

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[a] Including service traffic.
[b] Year ending 30 September of the year stated.
[c] Year beginning 1 April of the year stated.
[d] 1936.
[e] Estimated on basis of incomplete returns.
[f] 1939.
[g] Beginning 1947, excluding present territory of Pakistan.
[h] Excluding military traffic.
[i] Beginning 1946, South Korea only.
[j] 15 August 1947 to 31 March 1948.
[k] Manila Railway Co. only. Year ending 30 June of the year stated.
[l] Government railways only.
[m] Excludes Deli Railway.
[p] Provisional.

Notes to table 62:
[a] Length of track.
[b] Length in operation as of 10 October 1949, reported by the Ministry of Railways, eople's Republic of China. Figures for earlier years refer to length in operation under e National Government.
[c] 1936.
[d] Length in operation. Total length in 1938, 1946, 1947 and 1948 was 2,908; 3,007; 007; and 3,007 kilometres respectively.
[e] Length open to traffic of government and private railroad companies.
[f] 1940.
[g] As of 30 September.
[h] As of 31 January.
[i] 1939.
[j] Government railways only.
[k] Total for undivided India minus estimate for Pakistan.

Associated States of Indochina, Indonesia and Malaya, which have suffere from political disorder, the volume of traffic, while exceeding that of 194 in some cases, still lags far below pre-war levels.

The increase in passenger traffic has been considerable, but due to th shortage of passenger coaches, has resulted in serious overcrowding c trains in almost all countries.

Orientation of traffic has shifted considerably in India and Pakista since the partition. Traffic to and from north-east India, which was prev ously handled at Karachi, has shifted to Bombay and other wester Indian ports; similarly, traffic to and from east Bengal, which wa previously dealt with at Calcutta, has shifted to Chittagong. This has pu a severe strain on the capacities of these ports and also of the railwa and inland water transport in the areas affected. Various short-ter measures have been adopted to cope with this increased traffic, and plar for the development of capacities on a permanent basis have been draw up and are in course of execution as far as practicable.

Table 64.

Railway Passenger-Kilometres*

(In millions)

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*195*
Burma[b]	703[e]	..	412	484	119	15
China:						
Mainland[a]	4,349[d]	12,420	14,743	14,083[e]	..	..
Taiwan	827	1,584	1,734	1,958	2,390	..
Hong Kong	37.40[f]	63.73[e]	86.28	116.25[c]	182.50	..
India[c]	30,164	67,689	54,153[p g]	62,386	60,805	63,75
Indochina[h]	884	31	75	100	79	[illegible]
Korea[i]	2,024[d]	3,011	2,806	2,829	2,965	.
Pakistan[c]	..	..	4,672[j]	6,143	8,165	8,96
Philippines[k]	475	226	227	287	372	35
Thailand	294[c]	759	1,040	1,307	1,476	1,43
Japan[l]	26,216[c d]	87,447[c]	88,117[c]	79,145[e]	67,021[c]	66,83

Number of Railway Passengers

(In millions)

North Borneo	0.13	..	0.12	0.29	0.30	
Ceylon[b q]	10.86	25.95	26.00	26.48	26.42	26.
Hong Kong	..	..	2.76	3.68	4.75	6.
Indonesia	84.21	..	16.96[m]	51.08	65.01	105.
Malaya	11.46[r]	5.71	4.41	3.82	4.44	5.

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* Footnotes: see table 63.

[q] Excludes season ticket holders.

Rolling stock

Whilst the total number of serviceable locomotives and other roll stock has increased by receipt of new stock, particularly locomotives, several countries and/or by improved output of workshops, the pre-situation has not been reached in respect of either availability or standa of efficiency. Similarly, as regards spare parts and materials, although the supply position has eased, the requirements of railways have only partially been met. A large percentage of over-age locomotives and other rolling stock is still retained in service, not only making maintenance expensive but compelling the railway administrations to divert part of their limited resources in labour to costly repairs on rolling stock which will have to be scrapped in a few years.

Table 65. Number of Locomotives

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*
North Borneo	13[a]	..	..	11	16[p]	..
Burma	369	169	205	274	284[p]	..
Ceylon	249	238	234	239	236	235
China[b]	1,243[c]	1,942	2,171	2,477	..	..
Hong Kong	17	..	19	16	16[p]	..
India[d]	8,488	8,985	7,889[k]	8,194	8,228[p]	8,007
Indochina	210	..	122	..	..	..
Indonesia	1,278	..	423[e]	533[e]	681[e]	809
Korea[f]	518	212	247	259	289	..
Malaya	179[a]	194	210	201	188	..
Pakistan	–	–	1,247[g]	1,276	1,276[p]	..
Philippines[h]	160[i]	81	74	82	80[p]	84
Thailand	200	219	265	339	388	440
Japan[j]	4,124[c]	6,204	6,278	6,283	5,973	5,692

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[a] 1941.

[b] Taiwan excluded. Number of locomotives in Taiwan in April 1950 is 259; passenger coaches 588; and wagons 5,559.

[c] 1936.

[d] Including service vehicles; 1938-1947: includes present territory of Pakistan.

[e] Number in service.

[f] 1946-1949: serviceable stock in South Korea only. Approximate number awaiting repair in 1947: locomotives 350; wagons 2,000 and passenger stock 700.

[g] As of 15 August, excluding Pakistan portion of Jodpur Railways.

[h] Manila Railroad Co. only.

[i] 1939.

[j] State Railways only.

[k] Total for undivided India minus estimate for Pakistan.

[p] Provisional.

Table 66. Number of Wagons*

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*
North Borneo.....	156[a]	..	..	80	168[p]	..
Burma	9,690	3,962	3,866	6,912	6,714[p]	..
Ceylon[k]	2,286	2,534	2,689	2,764	3,766	2,690
China[f]	15,482[c]	23,984	25,027	31,354	..	..
Hong Kong	134	..	59	60	60[p]	..
India[d]	221,509	238,190	206,322[l]	214,220	214,270	202,171
Indochina	2,123	..	2,296	..	..	..
Indonesia[j]	27,236	..	13.499	15,000	17,391	20,910
Korea[f]	6,634	8,574	7,205	..	8,767[p]	..
Malaya	5,776[a]	5,625	4,412	4,967	4,950	..
Pakistan	–	–	37,499[g]	37,615	37,615[p]	..
Philippines[h]	2.081[i]	1,735	1,674	1,902	1,931[p]	1,921
Thailand[j]	3,833	4,993	5,535	5,383	5,740	6,240
Japan[j]	69,940[c]	118,297	116,553	107,716	108,155	108,745

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* Footnotes: see table 63.

[k] Wagon stock is in units of four wheels.

[l] Total for undivided India minus estimate for Pakistan.

Table 67. Number of Vehicles in the Passenger Stock*

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*
North Borneo	44[a]	..	..	22	34	..
Burma	1,167	270	291	479	534[p]	..
Ceylon[k]	1,324	1,288	1,295	1,276	1,224	1,296
China[b]	2,047[c]	2,561	3,388	3,694	..	..
Hong Kong	44	..	33	34	34	..
India[d]	26,338	25,765	21,617[1]	20,979	21,122	19,217
Indochina	438	..	205	..	..	..
Indonesia[j]	3,600	..	1,335	1,863	2,496	2,621
Korea[f]	1,112	1,390	629	..	732	..
Malaya	405[a]	325	313	289	286	..
Pakistan	..	..	3,894[g]	4,088	4,088[p]	..
Philippines[b]	344[i]	163	98	257	298[p]	324
Thailand	322	336	450	453	494	596
Japan[j]	9,508[c]	12,920	13,120	14,070	13,930	14,009

* Footnotes: see table 63.

[k] Passenger stock is in units of four wheels.

[1] Total for undivided India minus estimate for Pakistan.

Operations

Great emphasis is being laid on improving the utilization of existin facilities and equipment, and the results achieved appear to be fairly satisfactory, having regard to the limitations imposed by shortage of technica personnel and materials and by arrears of maintenance accumulated durin and since the war. For example, (i) in India in 1949/50, as compare with 1948/49, the broad-gauge net ton-miles per wagon-day improved b 12 per cent, and the engine miles per day of engines in use improved b 4 per cent; and the workshop out-turn improved by 15 per cent for locomotives and 20 per cent for wagons and coaches; (ii) in Malaya in 194 as compared with 1948, the engine-miles per engine improved by 20 pe cent, and the miles per coaching vehicle and goods wagon improved b 5 per cent and 13 per cent respectively; (iii) in Pakistan, on the Easter Bengal Railway in 1949/50, as compared with 1948/49, the net to miles per wagon-day improved by 15 per cent, and the workshop out-tur improved by 18 per cent for locomotives and by 17 to 20 per cent fc wagons and coaches.

Modern techniques

At the same time, possibilities for the adoption of improved practic and techniques are being explored. Matters receiving particular attentic are provision of heavier and more efficient power, increasing line capaci by improved methods of signalling and telecommunications, improve workings of terminal and marshalling yards and adoption of improve workshop practices, organization and lay-outs in order to improve pr ductivity of labour.

Countries which are deficient in coal resources are changing over fro coal-burning to either oil-burning or diesel locomotives. Ceylon ar

Pakistan have placed orders for a number of diesel locomotives. In Pakistan a large number of coal-burning locomotives have been converted to oil-burning. Indonesia has placed an order for 100 locomotives, of which about half will be oil-burning.

New lines constructed or under construction during 1950

In the mainland of China, a line from Chungking to Chengtu is under construction and surveys are being made for the Tinsui-Chengtu line to be connected via Paochi and Sian with Chengchow, a division point of the Peking-Hankow line, thus creating a new link with Hankow, Peking and Manchuria. Another line surveyed is a connexion between Lungchang on the Chengtu-Chungking line with Kweiyang, which city has rail connexions with Hankow and Canton.

In India 375 kilometres of new railway lines were opened during 1949/50, of which the Assam rail link of 228 kilometres was the longest, directly linking Assam with the rest of the Indian network. Five new lines totalling 480 kilometres were under construction during the year, the longest being the Kandla-Deesa line on the Bombay, Baroda and Central India Railway. Eight surveys aggregating 500 kilometres, both broad and metre gauge, were also sanctioned during the year.

In *Pakistan,* a new line 70 kilometres long between Darsana and Jessore in East Pakistan, linking the isolated Khulna section with the main network of the Eastern Bengal Railway, was constructed and brought into operation during the year. The single line section between Akhura and Ashuganj, 32 kilometres long, has been doubled. Restoration of 2 branch lines, each 13 kilometres long, that were dismantled during the war, is to be put in hand during 1951. Surveys for 320 kilometres of new line in West Pakistan and 240 kilometres in East Pakistan have been sanctioned.

In *Thailand* a ten-year programme for the expansion of the railway systems has been drawn up by the Railways Department: 450 kilometres of new line have been planned in the north-eastern part of the country, whilst important extensions will be made on the southern and eastern lines. The first line to be constructed will be a branch line from Kheng Woi to Buayai.

Roads and Road Transport

Most governments, realizing the importance of an adequate and well-maintained highway system to the economic and social development of heir countries, have prepared comprehensive highway development plans. However, progress has been hampered by lack of funds, shortage of material and equipment and scarcity of trained personnel, and their implementation has been either deferred or considerably reduced. Besides these difficulties, some countries, like India and Pakistan, have been faced with natural disasters such as severe floods and, in the case of India, earthquakes, which have damaged existing bridges and roads. Continuance of unsettled conditions in Burma, Indochina, Korea and Malaya has also adversely affected the construction projects and normal maintenance and repair of existing roads.

In the absence of any detailed statistics on road traffic, it is difficult to assess the position compared with either pre-war or 1949, but from various factors it appears that there has been a considerable increase in road traffic in all countries. This increase appears to be mostly in urban and suburban areas, where disparity in the availablility of transport and its demand has become more acute due to the large-scale migration of population to cities in recent years and the growth of industrial development.

As regards vehicle fleets there has been a general increase in the number of private motor vehicles compared with the previous year, although the total is still about 7 per cent below the pre-war figure. Commercial vehicles however show a notable increase above both pre-war and 1949 figures, the former being about 39 per cent.

Vehicles and equipment

One of the principal difficulties which still prevents many countries from taking full advantage of the recently-improved supply position for both vehicles and spare parts is the shortage of foreign exchange, especially dollars. This dependence of the region on outside sources of supply may, however, eventually be modified by the existing and recently proposed construction of plants within the region for the assembly or partial manufacture of vehicles and spare parts.

It may be noted that although there has been a steady flow of imported vehicles into the region, there has not been a corresponding increase in the number of vehicles registered, owing to the very high rate of obsolescence in nearly all countries of the region, which arises from lack of proper maintenance as well as of facilities for training mechanics and fitters.

One of the factors which has recently resulted in a fuller utilization of existing vehicles has been the increased supplies of motor fuel. Among the countries which have recently abolished rationing of fuel are India, Pakistan, Indonesia and Malaya. Also during 1950, the Government of Pakistan withdrew the control on the distribution and prices of motor vehicles and spare parts, and there has been an increase of nearly 20 per cent in the number of motor vehicles of all types operating in the country as compared with the previous year.

Considering the region as a whole, there appears to be a marked improvement in the road transport situation, apart from those countries where political and civil instability has interfered with the normal trend of progress.

The animal-drawn cart must for a long time to come continue to play a major role in the region, especially in the rural areas. In this connexion

ttention may be drawn to the measures recommended by the ECAFE
:onference of Inland Transport Experts for reducing the damage done
› road surface. These include a suggestion that governments encourage
nprovements in the design of wheels and axles of existing carts and the
se of pneumatic tyres for wheels of country carts which are in constant
se in level country.

Table 68. Number of Commercial and Passenger Motor Vehicles

(In thousands)

	1938	1946	1947	1948	1949	1950
ommercial motor vehicles						
ritish Borneo:						
North Borneo	..	..	0.31	0.37	0.47	0.34
Sarawak	0.11	0.11	0.17	0.18	0.24	..
urma	14.00[a]	..	..	22.00	22.02[b]	..
eylon	7.20	8.80	10.47	12.46	13.23	14.30
hina	28.49[c]	34.84	39.87	..	..	..
long Kong	..	1.15	2.53	2.90	3.25	3.56
ndia	38.00	51.64	64.57	68.77	93.83	87.81
ndochina	4.54	11.39	..	7.61	..	..
ndonesia	15.87	..	12.14	11.58	18.70	..
orea	3.9[c]	5.7	10.0	10.9	12.3	..
lalaya	6.5[d]	11.3	13.6	15.1	13.3	14.4[e]
ingapore	3.0	4.2	5.9	7.2	7.1	7.3
akistan	..	..	..	10.0	11.1	..
hilippines	20.4[d]	37.4	38.2	44.8	53.5	49.8
hailand	4.2	3.38	4.13	5.72	6.47	6.57[f]
ıpan	77.8[c]	81.4	102.9	108.2	124.1	132.1
assenger motor vehicles						
ritish Borneo:						
North Borneo	..	..	0.10	0.16	0.30	0.51
Sarawak	0.19	0.06	0.13	0.16	0.22	..
urma	6.90[a]	..	..	10.9	10.56[b]	..
eylon	21.04	19.65	22.93	27.60	31.26	34.21
hina	36.14[c]	13.20	16.16	..	..	..
ong Kong	..	1.64	4.60	6.39	8.54	9.60
dia	97.00	82.91	90.12	94.61	148.33	157.23
dochina	16.53	11.35	..	13.28	..	..
donesia	50.01	..	12.50	10.28	16.62	..
orea	5.0[c]	2.2	3.5	3.8	3.4	..
alaya	20.5[d]	10.5	14.9	19.8	22.2	25.2[e]
ngapore	10.2	5.9	8.3	12.7	14.8	18.1
akistan	..	..	..	16.0	16.6	..
ıilippines	31.5[d]	21.8	22.0	28.8	39.0	43.0
ıailand	5.2	4.2	5.2	6.3	7.3	8.5[f]
pan	35.2[c]	20.0	20.0	21.3	22.2	25.1

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[a] Totals for Bangkok as of 13 November and for the provinces as of 7 August 1950.
[b] Approximate figures only.
[c] 1937 figures.
[d] 1940 figures.
[e] As of 31 October.
[f] Totals for Bangkok as of 13 November and for the provinces as of 7 August 1950.

Highways

Most of the countries have either embarked on, or have plans for large-scale road-building programmes. In India, although figures of th actual addition to the length of highways during the year are not available there are general indications that considerable progress was made durin the year both in implementing the five-year plan of highway developmen in respect of national highways and in the linking of rural roads as par of the Government's Grow More Food Campaign. Pakistan has a maste plan for financing and executing road projects, both main and local, givin high priority to the needs of East Pakistan, where it is proposed t improve about 527 miles (848 kilometres) of roads over a period of fiv years.

Specific mention may also be made of the proposed construction of 4,61 miles (7,421 kilometres) of major roads, 2,089 miles (3,362 kilometres of district and village roads in Sind. Work on the former category i expected to be completed in ten years, while in the latter case it is to b completed in five years. In Ceylon, as part of the scheme for the economi development of eastern provinces of the island, important new roa construction linking this rich agricultural area with the main port o Colombo has been completed. In Malaya, although emergency condition caused by continued civil unrest still prevail, a new road-building programme, financed by European Recovery Programme funds from th United States via the United Kingdom amounting to $410,000, is bein implemented. North Borneo and Sarawak also have undertaken importan road-building projects for opening up additional areas for settlement an agriculture at a cost of $98,000 to be met from United States aid fund In Thailand, although until very recently roads were subordinated t railways, and therefore never fully developed, the Government has no undertaken a five-year plan to develop highways at an additional expenditure of about $3 million, partly financed by a loan obtained from th International Bank for Reconstruction and Development. The allocation for expenditure during 1950, including that for the building o 52 kilometres of highways, was $600,000. The Government of Indones also has prepared a five-year plan for the construction of 1,600 kilometr of new highways, especially in Sumatra, the expenditure on which will b met from the $22 million authorized for highway development out of th loan obtained from the United States Export-Import Bank. In the Ass ciated States of Indochina, although considerable sums were spent by th Government for repair and rehabilitation of roads, much of the wo was undone by guerrilla action. According to recent reports published the People's Republic of China, large schemes of highway developme have been sanctioned, which include the repair and rebuilding of ov 10,000 kilometres of motor roads under the direction of a newly constitut Highway Bureau in the Ministry of Communications.

Inland Waterways and Ports

Although no accurate statistics are available, it would appear that the inland water *traffic* in the region has increased. The most notable increase was shown in Burma, where the number of ton-kilometres performed by the regular navigation services is estimated to have been about 300 per cent more than in 1949. In the Associated States of Indochina, the volume of traffic remained small although a slight increase was noted due to improved security measures. In the case of India and Pakistan, considerable changes have occurred in inland water transport and traffic handled in the respective ports arising from the partition.

There is a clear distinction between the two kinds of *craft* in use in the region: (1) craft mostly built of steel and fitted with a mechanical propulsion unit or constructed to be towed, and (2) so-called country craft, most of them built of wood. In the first category, construction has been at a moderate pace; only in Burma has the reconstruction programme resulted in a notable increase. As regards the second category, construction of country craft has been maintained.

There has been no appreciable increase or decrease in the total length of navigable inland *waterways.* River and canal conservancy in most countries of the region is practically non-existent. The rise in the costs of materials and labour has strengthened the tendency to minimize conservancy work. From China, however, reports indicate plans for improvement of the navigability of the Huai River and the Grand Canal; and Thailand has received funds for the construction of a dam in the Chao Phya river, which should improve the navigability of the upper part of this river. In the Associated States of Indochina, no maintenance has been possible, with the result that there has been further deterioration of navigable channels.

All countries report major improvements to ports and port facilities. The only country where this development was held in abeyance was China, where the blockade greatly reduced traffic to the ports. Port shipping traffic statistics for the region, as far as available, are given in table 69.

The following information is available regarding the waterways and ports of individual countries of the region:

In the *Associated States of Indochina* the destruction of indigenous craft through civil disturbances was almost balanced by the construction of new craft. The modern fleet of steel tugs and barges reached two-thirds of its pre-war strength. The amount of traffic coming forward was limited and could easily be handled by this fleet, in spite of the fact that the convoy system required much more tonnage-carrying capacity per ton of goods carried than before the war. A slight improvement in the situation was evidenced by the fact that, in 1950, the amount of rice transported from Pnompenh to Saigon reached 330,000 tons, which was almost double that

Table 69. Entrances and Clearances of Vessels in External Trade

(In thousand net registered tons)

Country	1938		1946		1947		1948		1949		1950	
	Entered	*Cleared*	*Entered*	*Cleared*	*Entered*	*Cleared*	*Entered*	*Cleared*	*Entered*	*Cleared*	*Entered*	*Cleared*
Burma[a]	3,725[b]	4,308[b]	551	430	1,152	1,205	1,418	1,873	1,192	1,553	1,034	1,268
Ceylon	10,951	10,697	2,663	2,373	3,969	3,747	5,695	5,631	7,678	6,833	7,984	7,036
China	22,744[c]	22,489[c]	6,007	5,706	10,054	9,979	10,862	10,909	..	..	..	..
Hong Kong[d][e]	14,739	14,791	..	..	8,016	8,033	9,389	9,297	11,854	11,721	11,659	11,718
India[f]	9,125	9,519	4,884	4,440	6,840	6,288	7,752	6,804	8,885	6,710	7,691	6,938
Indochina[d][g]	3,224	2,943	1,587	1,617	1,155	1,166	1,490	1,432	1,794	1,815	1,956	1,896
Korea[d][h]	17,070[m]	..	31	40	1,081	1,097	296	295	370	355	..	..
Malaya	16,243	15,697	..	..	9,468	8,383	11,416	10,703	14,341	12,992	14,664	13,555
Pakistan	..	..	..	..	958[i]	624[i]	2,895	2,117	3,655	2,565	..	..
Philippines	4,448[j]	5,231[j]	1,500[k]	710[k]	..	..	5,398	5,251	5,710	5,704	..	..
Thailand[g]	859[b]	1,206[b]	236	277	513	602	801	1,103	1,068	1,458	1,344	1,657
Japan[d][l]	73,219[c]	73,077[c]	2,396	..	7,481	7,375	11,375	11,154	18,490	17,864	10,129	10,008

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[a] Excluding sailing vessels. 1946 to 1950: fiscal year ending 30 September.

[b] Year beginning 1 April.

[c] 1936.

[d] Including vessels in ballast.

[e] 1947-1950: river steamers over 60 tons included.

[f] 1938 and 1946 figures include present territory of Pakistan.

[g] Principal port only.

[h] Beginning 1947: South Korea only.

[i] 15 August 1947 to 31 March 1948.

[j] 1937.

[k] Korea included in the 1936 figures.

[l] 1938 to 1949 figures contain duplications. A vessel which made calls at several ports was recorded as being entered and cleared at each port.

[m] 1936.

in 1949. In the transportation of goods from Saigon, land transport was competing heavily with water transport.

A scheme has been developed for the rapid construction of steel barges for the transportation of rice as soon as normal conditions have been restored. Already three prototypes of 200-ton carrying capacity have been constructed which will be tested during 1951. The larger tug companies have perfected their equipment and are thus gradually supplanting the smaller companies.

Because of the disturbances, the maintenance of inland waterways remained at a standstill. 1950 was the fifth year in which no dredging could be done. As a result, the average depth of waterways in south Viet-Nam, which is normally 3 to 3.5 metres, was reduced to 2 to 2.5 metres, adversely affecting the speed of inland craft.

Coastwise shipping was a vital factor in keeping a proper balance between the availability of food grains in the north and the south. For example, more than 110,000 tons of rice and rice derivates were shipped from Saigon to central and north Viet-Nam.

Operations in the port of Saigon improved considerably. Great progress was made in the salvaging of sunken vessels, which is expected to be completed in 1951.

During 1950, dredging operations were recommenced in the port of Haiphong with a view to increasing the depth to such an extent that Liberty ships could enter the port. Construction of a new pier was started which should be finished in mid-1951. About half the docks have been rebuilt. In the port of Campha wrecked ships lying along the quay have been cleared and the cranes replaced, so that this port can be used again for its important coal trade. In all major ports the servicing and lightering craft were improved and restored to their pre-war numbers.

In *Burma* two-fifths of all inland water transport is handled by the state-owned Inland Water Transport Board. This organization noted a marked increase in traffic as conditions became more peaceful. At the close of the year practically no obstructions to inland water traffic remained, and most services were resumed. Particularly noteworthy was the restoration of the regular Rangoon-Mandalay service, for which only communication by air had been possible for over a year. The Board's tugs were also employed in towing thousands of timber rafts to the important milling points along the river.

The pre-war fleet of the Irrawaddy Flotilla Company, which is now the Inland Water Transport Board, had a capacity of about 170,000 gross tons. The present strength of the fleet is only 78,000 gross tons, of which almost 10 per cent was constructed during 1950. The present fleet will certainly not be able to cope with the demand after normal economic conditions have been restored, the more so since over 10 per cent of the fleet consists of military vessels which will be of little commercial value. Upkeep of diesel craft has been hampered by the lack of proper facilities and by the time lag in obtaining the necessary spare parts. Plans have been made for building a modern diesel repair and overhaul shop. Lack of proper river conservancy still caused frequent groundings in channels of the Irrawaddy and the Chindwin main rivers.

Harbour facilities have been improved during the year by continued mine-sweeping operations. The harbour of Akyab is being rehabilitated.

In *China* an outstanding feature of 1950 was the "grain reshuffle" to move grain from surplus to deficient areas. A total of 200,000 tons of food-grains from Szechuan were allocated to Shanghai and had to be moved via the Yangtze River. To this end, water transport along the

Yangtze River was organized and special transport committees were formed. Difficulties arose when it was found that the storage capacity of the Shanghai granaries was used up after only 50,000 of the 200,000 tons had been transported. Formerly large grain storage was not required because the city depended on a more or less steady inflow of grain from abroad. A transportation link was inaugurated from Shanghai to Canton, using river craft to Hankow and thence railway transport to Canton.

Port traffic was low, especially in Shanghai and the southern ports most subject to air raids and blockade. However, the volume of import to Shanghai conducted by private firms in November was reported to be three times as high as in July. In regard to the harbour of Tientsin, which was out of the range of bombing attacks, it was stated that much coastal and foreign shipping had cleared the port.

Maintenance of inland waterways was much neglected in the past. During a navigation and highway conference held in Peking in January, it was decided to establish a Navigation Bureau under the Ministry of Communications to unify the direction of navigation work. The State Administration Council on 12 March 1950 decided to improve navigation facilities in practically all respects. In order to improve conditions in the harbour of Shanghai, all organizations concerned with the port were merged into a single special commission to consolidate the administration of navigation and harbour affairs. The State Administration Council decided to improve the harbours in Yingkow, Tientsin, Tsingtao, Shanghai and Foochow and to continue the construction of the new Tangku Harbour.

In *India,* traffic between Calcutta and Assam, which is mostly handled by the Joint Steamer Companies, was very heavy. The number of vessels used on this service was increased at the cost of other services. On the upper part of the Ganga and on the Gogra rivers, for instance, only one steamer remained, a situation which resulted in irregularity of the services and consequently in a decrease of the traffic. Co-ordinating committees are being set up on which the state government concerned, the steamer companies and the railways will be represented, with the task of reviewing transport problems each month.

The position regarding country craft did not change to any great extent; country-boat owners showed considerable reluctance to travel to Pakistan because of the uncertain conditions prevailing.

In coastal trade, Indian companies own at present seventy-one ships with 200,595 gross registered tons and operate eleven chartered vessels with 44,386 gross registered tons. Through a special licensing policy it is aimed to reserve coastal shipping for Indian vessels exclusively by August 1952. British companies therefore had to reduce their participation to about 50 per cent within two years. For the Indian fleet, three ships are about to be completed at Visakhapatam Yard on government account and orders for three more may soon be placed.

The following tonnage was moved in coastal trade in India:

	Tons
1938/39[a]	16,444,000
1949/50[b]	10,000,000
1950/51	5,651,000

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[a] Relates to undivided India.
[b] Estimates on the basis of data for nine months ending December 1950.

Indian shipping did not participate in overseas trade until 1948. The position is now that the Scindia and the India Steamship Companies have been admitted as full members of the India — United Kingdom — Continent Conferences and are together operating seventeen ships in that trade, two of the Scindia vessels being passenger vessels.

A National Harbour Board was set up to co-ordinate policies of all ports in India. Comprehensive legislation was proposed for port administrations with the object of achieving uniformity of procedure and decentralization of matters of detail. In the port of Calcutta a mechanical coal-loading plant was erected which can handle up to 500 tons per day. At Cochin Harbour the building of a new wharf was put in hand. Surveys for a new major port, the port of Kandla, were completed, and construction will start in 1951. It is proposed that the new port will have six berths for ships with a draught of up to twenty-six feet and will be able to handle 400,000 tons of cargo per year.

A complete survey of minor ports was started in order to establish priorities for improvement works.

In *Pakistan,* repair of war damage to the fleet of country boats was limited because of scarcity of timber. Mechanically operated craft are being introduced gradually. To augment the clearing capacity from Chittagong port, the Government has started a service of river-*cum*-sea craft to carry mainly jute from internal riverine points to Chittagong. The capacity of Chittagong port is increasing rapidly, the traffic handled in 1949/50 (1,008,000 tons) being about double the amount handled in 1948/49 (498,000 tons). It is proposed to install lightbuoys in the river Karanafuli on which the port of Chittagong is situated, in order to institute pilotage of ships at night.

The port of Karachi has at present a capacity of 12,000 tons per day. Traffic in 1949/50 reached 2,841,000 tons as against 2,543,000 tons in 1948/49. No large development plans are contemplated, but modernization of the West Wharf and provision of dry-dock facilities are under active consideration.

A new anchorage was established near Chalna on the river Pussur, at about twenty-five miles downstream from Khulna. Cargoes will be loaded and unloaded in stream and taken to internal riverine points by lighter craft. The capacity of the anchorage is 500,000 tons per year.

Civil Aviation[2]

In the Far East civil aviation plays a relatively more important role than in other parts of the world because land connexions are generally poor, and in many cases the second-best form of transportation is the sea route, often scheduled with considerable intervals.

The general progress of civil aviation in the region during 1950 was adversely affected by the sudden deterioration in the international situation. In a number of countries, however, civil aviation continued to make steady progress in spite of international discord. The number of bilateral air-transport agreements concluded by governments of the region, either between themselves or with countries outside the region, totalled fifteen in 1950, and seven others were in various stages of negotiation.

Table 70. Aeronautical Agreements Concluded during 1950 by ECAFE States

Agreements concluded		*States with agreements under negotiation*[a]
Burma with:	Ceylon[b] * (29 June) Sweden (September)	
Ceylon with:	Australia[b] * (12 January) Burma[b] * (29 June) Egypt (26 September) Thailand[b] * (24 February)	Ceylon with: Iraq Italy Netherlands
Indonesia with:	Australia (September) Malaya (September) Philippines (September)	
Pakistan with:	France[b] * (31 July) Iraq[b] * (20 June)	Pakistan with: Burma Iran Turkey
Philippines with:	Australia (May) Indonesia (September)	Philippines with: Spain
Thailand with:	Ceylon[b] * (24 February) United Kingdom[b] (10 November)	

[a] Agreements which, so far as ICAO is informed, are definitely in force. The exact status of the agreements bearing no asterisk is not yet known to ICAO.

[b] Includes only agreements for which negotiations were initiated or confirmed during the last six months of 1950.

An indication of the potential growth of air transport in the area may be observed from the status of air transport development in India where air freight traffiic in the first six months of 1950 was twenty times the volume of air freight for a similar period three years ago, while mai traffic increased sixfold and passenger traffic approximately doubled.

It is noticeable that domestic travel is increasing. In Pakistan the airplane provides the only quick connexion between the two main parts —

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[2] Prepared on the basis of information supplied by the International Civil Aviatio Organization.

eastern and western — of the country. There are, moreover, daily services between Chittagong and Dacca, and Dacca will soon have air services also with Sylhet, Shamshernagar, Comilla and Jessore in East Pakistan.

In Indonesia, mainly owing to additional domestic travel, the total number of passenger-kilometres and cargo ton-kilometres flown increased by 12 and 11 per cent respectively over 1949.

In the Associated States of Indochina, the total number of passengers departed and tons of cargo loaded increased by 41 and 94 per cent respectively over 1949, the whole increase being due to the additional domestic travel.

Tables 71 and 72 give what comparable statistics are available concerning air transport activity in the region.

Table 71. Air Route Operated and Distance Scheduled per Week
(In kilometres)

Country	*Route kilometrage*		*Kilometrage scheduled per week*	
	1 October 1949	*30 April 1950*	*1 October 1949*	*30 April 1950*
Burma	4,167	4,752	31,218	32,393
Ceylon	13,189	19,265	47,514	51,805
Hong Kong	6,116	8,082	31,079	37,135
India	37,258	49,481	519,170	506,408
Indochina	9,839	10,109	53,876	47,426
Indonesia	–	17,893	–	187,172
Korea, South	–	330	–	9,238
Pakistan	9,134	7,258	65,621	55,963
Philippines	36,431	36,189	229,260	218,909
Singapore	5,691	7,345	41,733	48,549
Thailand	11,168	11,204	37,895	36,706
TOTAL	132,993	171,908	1,057,366	1,231,704

New airlines, routes and services

At the end of 1950, twenty-four airlines were registered in countries of the ECAFE region. These airlines were scheduled to fly about 765,000 miles (1,224,000 kilometres) per week over 107,000 route miles (171,200 kilometres) of airways. In addition seven international airlines were providing the region with air services.

Although 1950 saw no major expansion of these routes and services, a number of important developments took place. Indian National Airways inaugurated a new route between Calcutta and Delhi via Khatmandu, which will link India with Nepal. A new Chinese airline was established for the specific purpose of providing rapid transport between Taiwan and Macao. Air Ceylon began a regular through service between Colombo and Sydney via Singapore. Air communications between the United Kingdom and Singapore were improved by the introduction of more frequent flights on the British Overseas Airways Corporation's London-Hong Kong service. Air France increased the frequency of its Indochina

Table 72. Revenue Traffic of Scheduled Domestic and International Air Lines

(In thousands)

Country	*1938*	*1946*	*1947*	*1948*	*1949*	*1950*
Kilometres flown						
Ceylon	..	..	..	742	1,913	994
China	2,673[a]	12,187[b]	16,030	34,752[p]	..	..
India[c]	2,272	7,273	15,063	20,352	24,293	..
Indonesia	..	..	..	7,689	9,133	9,328
Philippines	1,530	10,602	13,679	12,691	11,940	11,425
Thailand	154[d]	28	599	1,504	1,964	2,035[p]
Passenger-kilometres						
Ceylon	..	..	..	4,297	11,470	9,901
China	17,299[a]	225,603[b]	231,123	525,825[p]	..	..
India[c]	1,278	98,276	223,379	283,772	306,706	375,582
Indonesia	–	–	–	101,905	125,325	148,215
Philippines	2,539	119,965	156,907	174,876	163,825	187,437
Thailand	14[d]	159	5,078	11,190	18,817	18,552[p]
Cargo ton-kilometres						
Ceylon	–	–	–	19.7	74.8	108.9
China	341[a] [e]	13,279[b]	24,031	63,509[p]	..	..
India[c]	13	866	2,462	4,622	7,302	..
Indonesia	–	–	–	3,542	4,608	5,065
Philippines	–	1,165	5,147	5,908	5,226[p]	6,859
Thailand	1.2[d]	0.9	49.3	173.1	294.0	430.2[p]
Mail ton-kilometres						
Ceylon	–	–	–	–	12.7	9.3
China	–	1,878[b]	3,729	4,005[p]	..	..
India	396	638	815	1,073	2,938	..
Indonesia	–	–	–	1,122	1,584	1,343
Philippines	–	29	523	571	686[p]	782
Thailand	10.8[d]	0.1	16.1	29.3	53.09	48.86[p]

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[a] 1937.

[b] 1946-1947 from November 1946, including the non-scheduled operation of Civil Air Transport.

[c] For 1938 and 1946 including both revenue and non-revenue traffic. Excluding present territory of Pakistan from 15 August 1947.

[d] Fiscal year beginning 1 April of the year stated.

[e] Cargo and mail ton-kilometres combined.

[p] Provisional or estimated from incomplete returns.

coastal air service, and also of its services from Saigon to Thailand, Hong Kong and Singapore. The Siamese Airways opened a service from Bangkok to Rangoon.

While the actual expansion of air services within the region during the year was not great, negotiations and plans were developed for a number of new routes and services as shown in table 70.

Ground facilities

In general, airport facilities were increased. In Burma, work has started on the reconstruction of the Rangoon airport to enable it to handle the largest commercial airplanes. In India most airports were brought under control of the Civil Aviation Department of the Government. In the Associated States of Indochina thirty-three new airfields were opened during 1950, four of which are open to commercial airlines. Meteorological services were greatly improved and the approach to fields facilitated by new radio and light beacon installations. In Thailand the airport of Bangkok is receiving a new runway capable of handling the largest types of commercial planes.

CO-ORDINATION OF TRANSPORT

Co-ordination of transport presents different problems in the ECAFE region from those in more highly industrialized countries. Transport systems are still largely inadequate for the needs of the countries. The problem is therefore, generally speaking, not so much one of curtailing one form of transport in favour of another, as of drawing up over-all transportation plans for the various countries and establishing regulations which will result in the most economical and efficient transport systems with the lowest capital investment.

In most countries important development took place during 1950 towards better co-ordination of transport and establishment of over-all transport plans. There is a marked trend towards nationalizing road services as a first step in the direction of co-ordination.

In *Ceylon* a new transport bill has been approved by the Cabinet and will probably come up for consideration by Parliament early in 1951. This provides for the conversion of existing bus companies into public companies in which the Government may own 45 per cent of the shares. In regard to co-ordination of transport, the bill prescribes that all goods to be carried over a distance of more than sixty miles shall be carried by rail. The Transport Commissioner is given greater powers: all rates and tariffs will have to have his approval, and he can call in other bus services when a certain bus enterprise does not provide enough facilities on certain routes.

Considerable progress was made by establishing feeder road services to the railways. Seasonal carrier services, including co-ordinated canal, road and rail services from the Salterns at Nadichikali, Karaitivu and Kalpitiya to the Hangademya railroad, are operating satisfactorily.

In *China* the transport system is nationalized to a large extent, and this will doubtless facilitate co-ordination.

In *India* there is a growing tendency towards rationalization of transport systems and towards some form of nationalization. On 1 April 1950, the merger took place of the former princely state railways with the country's nationalized railway system, bringing all the railways of India under the unified control of the central Government. A plan for regrouping all Indian railways into five groups is nearing the final stage. The Government of India and the state governments held discussions looking t better rail-and-road co-ordination and a further nationalization of road transport. In some states complete nationalization of bus services has bee decided upon. Discussions between state governments are being held t ensure better interstate connexions. In many states, committees will b set up composed of representatives of the state government, the railway and the steamer companies, to review transport problems each month.

In *Indonesia* the Government is contemplating the nationalization of th inter-island steamer services; new rules for the co-ordination of transpor are under discussion.

In *Malaya* the Government continued its effort to rationalize road transport by assisting private companies to reach agreements for the amalgamation of bus services. No plans for nationalization exist at present.

In *Pakistan* a "Pakistan Transport Advisory Council" composed o members of the provincial governments has been set up, which passed resolution in favour of nationalization of road transport throughout th country. Nationalization of road transport has already taken place i the provinces of Sind and the Punjab. The Council will, among othe things, have the task of evolving a co-ordinated system of transport. Th Central Government has asked the provincial governments to prepar six-year road development plans which will be co-ordinated by th Council.

In *Japan* the government distribution agencies which, up to 1948, ha ensured a rational distribution of freight over the different means o transport, were abolished; this resulted in a considerable deferment o waterway traffic to road and rail. Reforms in the established rates fo the different means of transport at the end of 1949 served to re-establis equilibrium in 1950. Revisions of tariffs are made regularly, because o the inflation of the currency, and during such revisions the repartition o traffic is always taken into consideration.

INTERNATIONAL TRANSPORT LINKS

The international transport links in the ECAFE region are mainly ai and sea routes, only India and Pakistan are fully interconnected by rai road and inland water transport. Nevertheless, efforts are being made t improve existing traffic routes on the Asian mainland, and the followin improvements in international links during 1950 may be noted:

Burma - China

Steps have been taken to reopen for traffic the wartime Ledo road fro Burma to China.

Burma - India

A good road connecting Assam with Burma is open to traffic.

Burma - Thailand

Plans exist to repair the railway which the Japanese built between the two countries during the war and which was broken up after the war. Some motor traffic is possible under difficult conditions.

Cambodia - Thailand

On the rail connexion Bangkok-Pnompenh there is no through-going traffic, as the couplings of the rolling stock are different. Passenger trains in both countries run only in daytime. The few through passengers are delayed for eighteen hours at the border and have to take a bus service from the last Thailand station to the border station in Cambodia.

A railway plan of the Thai Government published in 1950 provides for two connexions between Udorn and the upper navigable part of the Mekong River which forms the border between Cambodia and Thailand: a line Udorn-Nongkai and a line Udorn-Nakorn Panom which might connect with a proposed line from Thakek (opposite Nakorn Panom) to Tanap, on the line Hanoi-Saigon, 450 kilometres south of Hanoi. Unsafe conditions discourage through commercial road traffic.

China - USSR

In China proper the restoration of rail connexions is reported to have made considerable progress during 1950. Moreover, new links within China are being built or surveyed, which eventually will link up a greater part of the various provinces in China with each other and with the Russian rail network.

India - Nepal

The Government of Nepal in consultation with the Government of the State of Behar (in India) have given topmost priority to the immediate construction and opening of a good motorable road connecting Raxaul (a station on the Oudh-Tirhut Railway in India) with Khatmandu in Nepal. Work will be taken in hand immediately.

India - Pakistan

During 1950 the controversy over the exchange rates of the two countries adversely affected the free movement of international and also national transit traffic. In the east, running of passenger and goods trains was maintained between Pakistan and the contiguous Indian railways, whilst in the north-west, passenger trains remained suspended. A new system of booking was, however, evolved to meet the exchange problem, by which passengers had to purchase tickets at border stations, and freight charges for goods traffic were collected by Indian and Pakistani railways separately at the forwarding and destination stations for their respective portions of the journey.

Transit rail traffic, however, remained entirely suspended although several attempts were made to evolve a method acceptable to both governments.

Motor traffic in the various areas interlinked by road is carried on by special arrangement between the two governments. Transit traffic, however, is carried by inland water transport between the border states of Assam and West Bengal through East Pakistan territory. Rail and road connexions have been completed which provide a direct link through Indian territory between the province of Assam and the rest of India.

Malaya - Thailand

In Thailand the western part of the railway system is still separated from the eastern part by war damage to the main railway bridge over the Chao Phya near Bangkok. The existing weekly service between Bangkok and Penang necessitates another change of trains at Surat Dhani near the Malayan border because of another war-damaged bridge which is not yet repaired. The delays in this train connexion are very considerable. Goods and passenger commercial motor traffic is taking place along good roads at several border crossings.

Pakistan - Afghanistan

The countries are linked by two motor roads, one from Kabul via the Khyber Pass to Peshawar and one from Kamdahar to Quetta; neither is in very good condition on Afghanistan territory.

Pakistan - Iran

Pakistan is linked with Iran through a railway line running up to Zahidan, ninety-two kilometres inside Iran territory. Zahidan is not at the moment connected with the main Iranian railways. It is understood, however, that the Iranian Government has under consideration the extension of its railway line from Kashan to Zahidan, thereby linking it with Kerman, Yozd and Tehran. The construction of this link will give a great stimulus to the movement of trade and traffic between Pakistan and Iran. Work is progressing on the railway from Tehran to Meshed (close to the Pakistan and Afghanistan border). A motor road exists between Meshed and Zahidan, which is not in too good a condition.

CHAPTER XI

International Commercial and Financial Policies

FACTORS AFFECTING THE ADOPTION OF POLICIES

Since the end of the Second World War, the dominant economic factors in the ECAFE region have been low levels of production and export, balance-of-payments and dollar-shortage difficulties, financial and other impediments to implementation of plans, and varying degrees of inflationary pressure. All these factors have had a direct or indirect bearing on the international commercial and financial policies adopted by the countries of the region.

Low levels of production are associated with low levels of export and reduced foreign-exchange earnings. Consequently they lead to import restrictions and exchange controls. At the same time they are likely to entail low levels of home consumption of certain commodities, so that the need to import them is heightened. On the other hand, in order that levels of production may be increased, governments are inclined to think in terms of importing capital goods and essential materials rather than consumer goods, and of levying protective import duties to foster home production.

Shortage of foreign exchange, especially hard currencies, has led most governments of the region to institute controls on foreign-exchange transactions, with a view to (i) controlling the use of exchange reserves through centralizing the foreign-exchange earnings; and (ii) regulating capital movements. Import and export control is integrated with exchange control for the same purposes.

The need for these commercial controls is also aggravated by domestic inflationary pressures. If the foreign-exchange situation permits, the administration may be inclined to relax controls on imports with the object of admitting more goods and bringing down the cost of living. Alternatively, the government may seek to meet part of its budget deficits (which are one source of inflationary pressure) by increasing import and export duties so as to raise more revenue. Thus the same factor, inflationary pressure, can lead to opposite commercial measures. Similarly, confronted with a great increase in the volume of import demands for all goods, governments must accord priority either to capital goods and essential materials because they help to increase production, or to consumer goods because they help directly to control inflation and the cost of living.

Prompted by the same conditions are the measures adopted by governments to ensure supplies of essential imports and steady markets for their export products through the negotiation of trade and payments arrangements and bulk purchase/sale arrangements. Increased direct participation by governments in foreign trade may be traced to the same causes.

Apart from their direct participation in foreign trade, governments of the region have taken significant measures to develop their trade promotion and information services. In addition to foreign trade departments, there has been some expansion in overseas diplomatic, consular and commercial services of many governments in the region. Indonesia and Pakistan took some steps in this direction during 1950. Several missions of business men to and from the countries of the region have been a significant feature of trade-promotion activities. During 1950, missions from Hong Kong, Korea, India and Pakistan visited countries in and outside the region.[1] The direct effects of these commercial activities and services on the trade of the region are not susceptible of measurement, but are nevertheless a potent factor in creating favourable conditions under which trade can be expanded.

In addition, it should be emphasized that changes in exchange rates are in themselves an important measure affecting commerce.[2] The improvement in the balance of trade of the countries of the region, which followed the devaluation of currencies in September 1949, facilitated the relaxation of import and exchange controls in some measure, especially in relation to soft-currency areas. However, the basic framework of controls still remains; devaluation has only permitted relaxation of a part of such controls.

The existence of international agencies, especially study groups, and the facilities of inter-governmental consultations and action in respect of a number of primary commodities, such as wheat, tea, tin, rubber, wool, sugar, and cotton, also had influence in varying degrees on the commercial policies of the countries of the region.

A brief reference to the evolution of international commercial and financial policies in different countries of the region will illustrate the complex impact of the basic economic and financial conditions of the post-war years from which such policies have been derived.

In *Burma,* the low levels of production of rice, petroleum, and timber brought about a serious decline in the volume of exports of those commodities as compared with pre-war years, and the resulting shortage of foreign exchange, coupled with the pressure of increased governmental expenditures on defence and other commitments, necessitated import and exchange controls. The policy of nationalization led to the institution of the State Agricultural Marketing and Timber Boards to handle rice and timber export with a view to securing revenues for the Government. Simultaneously the Government negotiated bulk contracts for the sale of rice.

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[1] For further information, see ECAFE, *Progress report on trade promotion activities* (E/CN.11/I&T/43), November 1950.

[2] See also "Devaluation, price movements and changes in external trade in ECAFE countries", *Economic Bulletin for Asia and the Far East,* Vol. 1, No. 2.

In *Ceylon* the dominant economic factors are a small number of primary export commodities and dependence on imports for a considerable part of the food supply and consumer goods. In Ceylon, exchange control was continued since the war as an integral part of the sterling-area arrangements; import controls were designed to ensure essential imports, especially food-grains handled by the Government, while export controls were enforced with the object of ensuring that exports of tea, coconut products and rubber went to designated markets in accordance with trade arrangements. Exchange control was used to conserve reserves and regulate outward capital movements. Ceylon's foreign-exchange position is, however, considerably easier than, for instance, that of India.

The policies pursued by *India* in the post-war years reflect in a striking manner the difficult conditions and complex considerations influencing governmental action. A marginal but serious food deficiency has been aggravated since 1947 by the partition of the Indian sub-continent, since this increased India's dependence on external sources for its supplies of food and raw materials such as raw jute and raw cotton. At the same time, as in other countries of the region, inadequate levels of production in industry, agriculture, and other sectors of the economy have led to a much greater volume of import requirements and to serious problems of the balance of payments and dollar shortage. They in their turn have necessitated the adoption of stringent import and exchange controls, measures to promote exports, especially to dollar areas, steps to ensure supplies of essential materials and equipment by means of state trading, trade and financial arrangements, exchange licensing, etc. From time to time relaxations of exchange and import control policies have been made in response to improvements in the balance-of-payments situation.

The position in *Pakistan* is different in several important respects. Whereas Pakistan maintains import and exchange controls, the structure of which is similar to that in India and other sterling-area countries, and has also entered into a number of trade and payments arrangements, its balance-of-payments problem is far less acute than that of India, and consequently its import controls, especially in relation to the soft-currency areas, are much less rigorous. The strong position of its export products and the increased world demand for them are an important factor in bringing about this situation. It may be recalled that Pakistan did not devalue its currency in September 1949. The objectives behind Pakistan's trade and financial arrangements are to diversify the sources of its imports and to find wider markets for some of its exports. Protection is not a primary factor in Pakistan's tariff policy.

Indonesia, after undergoing civil strife in 1945-49, made only a slow recovery in production and exports, with resultant balance-of-payments deficits which were met by external borrowing, mostly from the Netherlands. Recurring budget deficits of considerable magnitude, which were met by an expansion in the money supply, created inflationary pressures which aggravated the adverse payments situation and necessitated stringent import, export, and exchange controls. In view of the continuing inadequacy of these measures and the gap between the official and market rate of exchange of the Indonesian rupiah, which was harmful to foreign trade, the Government introduced exchange and monetary reforms in March 1950. These were designed, in the first place, to stimulate exports, discourage smuggling, and restore a better balance in external trade, and, secondly, to bring in a revenue of approximately 800 million rupiahs to the Government from the sale of foreign exchange to the importer at premium prices. It aimed at restoring balance both in government finances and in external trade.

The *Philippines'* commercial policy is determined, to a large extent, by the high concentration of its trade with the United States. Under the Philippine Trade Act and the trade agreement with the United States, the Philippines received absolute quotas for specified exports to the United States. Of these, some are dutiable, some duty-free. Aside from these, there are categories of non-quota articles which are non-dutiable, and non-quota articles which will be dutiable from 1954 onwards. The object of this arrangement is to provide an eight-year period of free trade between the United States and the Philippines from 1946 to 1954 and a twenty-year period of declining preferences beginning in 1954. While this represents the basic framework of long-term commercial policy, these provisions are currently not limiting factors in Philippine foreign trade. Owing mainly to inadequate production, the Philippines has not been able to export to the full extent of many of the quotas. The most far-reaching measures currently affecting the volume and composition of foreign trade are the import controls imposed in January 1949, and the foreign-exchange controls introduced in December 1949. The introduction of import controls was necessitated by a developing adverse foreign-exchange situation which during 1946-48, had been obscured by extraordinary and abnormal foreign-exchange receipts, mostly from the United States Government.

Thailand has been able to export increasing quantities of rice, and this has enabled it to pay for an increasing volume of imports. Therefore the extent of both foreign-exchange and trade controls is very limited. In 1946-47 Thailand attempted a comprehensive system of exchange and trade controls but had abolished it in stages by 1948.

Economic conditions have thus led countries of the region in the post war years to adopt four broad categories of measures: trade and exchang controls, trade and payments arrangements, import and export tariffs and state trading.

EXCHANGE AND TRADE CONTROLS

Exchange and trade controls have been operative in most countries of the region since the war and, as far as can be foreseen, there is no probability of their early abolition or even of considerable abatement so long as the basic difficulties persist. As will be seen, however, there have been occasional relaxations or reinforcements of such controls in response to improving or deteriorating foreign exchange situation.

Exchange Controls

Exchange control has been in force since the war in all countries of the region except the Philippines, where it was introduced in December 1949. Except in Hong Kong and Thailand, which permit a free market in foreign-exchange transactions while retaining control of limited scope, all foreign-exchange transactions, both receipts and expenditures, are brought under the control of the central bank or exchange control authority. Recipients of foreign exchange are required to sell their foreign-exchange receipts to the authorities for local currency at specified rates of exchange.[3] Foreign exchange is pooled and issued to users according to various principles, for the most part with the object of restricting it to essential uses. Thus exchange control on current transactions is closely related to import and export controls.

Exchange restrictions can be classified into three major types: quantitative, cost, and composite restrictions.[4] Quantitative restrictions limit the expenditure of foreign exchange in quantitative terms through licensing or prohibition, which is determined by administrative discretion. Cost restrictions reduce the demand for foreign exchange for specified international transactions by raising their cost. Premium on exchange rate is an example of pure cost restrictions. Under composite restrictions, both cost considerations and discretionary action by the authorities in the form of quantitative restrictions play a part in determining how much of the demand for foreign exchange is to be satisfied and how much is to be eliminated. Examples of composite restrictions are multiple-currency practices combined with quantitative exchange controls, and partially free markets in which transactions are subject to licence.

In this region, except in Thailand and, to a smaller extent, Hong Kong, quantitative exchange restrictions in the form of exchange licensing are the principal form of exchange control. Cost restrictions, especially free-market and multiple-currency transactions, calculated to increase the cost of foreign payments, are important in Hong Kong, Indonesia, and Thailand.[5]

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[3] It may be noted, however, that Indonesia and the Associated States of Indochina permit certain limited barter transactions with Malaya and Hong Kong respectively.

[4] See International Monetary Fund, *First Annual Report on Exchange Restrictions*, March 1950, chapter II, for a detailed discussion of this classification. This classification is based on the differences in the processes by which the various types of restrictions determine how much of the demand for international transactions is to be satisfied and how much of this demand is to be eliminated.

In the sterling area countries of the region, namely, *Burma, Ceylon, India,* the *Federation of Malaya and Singapore,* the *British Borneo territories,* and *Pakistan,* quantitative exchange control through the pooling and allocation of exchange resources is the prevailing form of restriction. In this there are certain common features, for example, in import licensing and in the allocation of foreign exchange for payment of invisible items. Close attention is paid in licensing policies to the need for conserving hard currencies in both visible and invisible payments. However, restrictions are not generally applied to transactions within the sterling area. Thanks to the existence within the sterling area of a common pool of foreign-exchange reserves, especially of hard currency, and the use of London as a financial clearing centre by the countries of the sterling area, it has been possible to establish additional procedures since the war for a general exchange licensing system which permits, on a large scale, specified payments through designated controlled accounts between countries of the sterling area and other countries.[6]

An important development in 1950 was India's decision in June to permit the free repatriation of capital owned in India by residents of the sterling area and also of Norway, Sweden, and Denmark. As regards capital owned by residents of other countries, certain relaxations were made, effective, however, only in respect of capital invested in India after 1 January 1950. Capital invested after that date in projects approved by the Government of India may be repatriated at any time thereafter to the extent of the original investment and from the proceeds of that investment. Profits reinvested in the projects will be treated as investment for the purpose of permitting repatriation.

In *Hong Kong,* by reason of the predominantly *entrepôt* character of its trade and its close proximity to the mainland of China, exchange restrictions deviate in several essential particulars from the practices adopted by other sterling area countries. The system is complicated[7] because import and export licensing varies as between commodities and countries, as do also the import and export exchange restrictions. Exchange licenses are required for non-trade payments. Foreign exchange proceeds, with significant exceptions, are to be surrendered. A free market in foreign-exchange transactions is operative, while official exchange rates apply to limited types of transactions, especially foreign payments, and this results in multiple-currency rates.

In *Indonesia,* exchange restrictions were predominantly quantitative, involving exchange licensing for every transaction, but with the introduction of the exchange certificate system in March 1950, under which exporters are entitled to additional payment in exchange certificates equal in exchange value to 50 per cent of their foreign-exchange proceeds, and importers are required in addition to buy exchange certificates equal in exchange value to the foreign exchange required for import at the official rate, the restrictions became composite, involving both quantitative and cost restrictions and the exercise of discretion by the administration in the issue of import and exchange licences at the official rate of exchange. At the same time, in theory the price of the exchange certificates is to be determined by the forces of supply and demand, although in practice they are dealt in at twice the official rate.

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[5] Pure cost restrictions, such as import duties, are operative in all countries, but the objective is mainly fiscal, i.e., revenue for government. These are described later in this chapter.

[6] See International Monetary Fund, *op. cit.*

[7] See International Monetary Fund, *op. cit.*, section on Hong Kong p. 52; see also ECAFE, *Trade and Exchange Controls in the ECAFE region,* pp. 32-37.

In *Thailand,* the significant features of exchange control are: the surrender, in varying proportions, of the foreign-exchange proceeds from the principal exports — rice, tin, and rubber; the application of an official rate higher than the market rate of the baht for these exchange proceeds; the operation of a free market, in which foreign exchange is bought for the bulk of commercial imports and capital transactions; and the availability of foreign exchange at the official rate for government imports, remittances for students residing abroad, and import of petroleum products. This resulted in multiple-exchange rates.[8]

In the *Philippines,* exchange control was imposed in December 1949, following a continuous and severe drain on foreign-exchange reserves caused largely by a flight of capital. All foreign-exchange transactions, both receipts and payments, are under the control of the Central Bank. Restrictions are quantitative, being exercised through import licenses granted up to the limits of individual import quotas for other than essential goods, and through exchange licences for essential imports and non-trade payments. All foreign exchange must be surrendered to the Central Bank. All payments abroad require licences. Until 4 April 1950, remittances up to a limit of $US 50 per month per person were freely granted without licence, but were brought under licence thereafter. Transfers of capital require approval. Payments of earnings and amortization on foreign capital are permitted up to 30 per cent of capital investment as of 31 December 1949, plus 10 per cent of profits after taxes, or 10 per cent of capital stock. Licences are required for the disposal of capital held abroad by residents, and for incurring new liabilities *vis-à-vis* non-residents. A 17 per cent tax on all exchange remittance except for specified essential imports became effective in February 1951.

An important development during 1950, affecting import control as well as exchange control in several countries of the region, was the formation of the European Payments Union. The fact that the United Kingdom, France and the Netherlands are participants in the scheme, and that there will be complete transferability (periodically through the mechanism of central banks) of not only the currencies of the participating European countries but also those of the sterling, franc, and guilder monetary areas, makes it possible for the sterling-area countries of the region, the Associated States of Indochina, and Indonesia to enjoy a considerably wider area of transferable currencies. This extends also to the currencies of Western Germany, Switzerland, and the Belgian monetary area, heretofore treated as hard currencies.

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[8] See chapter XII, "International Trade and Payments," section on "Changes in import and export prices and international trade after devaluation".

Import Controls

An analysis of the working of import controls in the countries of the region reveals that the extent of their application has varied with changes in the balance-of-payments position.[9] Whenever there was an improvement in the foreign-exchange position, import control tended to be relaxed; whenever there was a deterioration, it tended to be tightened.

As indicated earlier, governments have had to choose between two objectives of policy. On the one hand, they have had to reckon with adverse trade balances and therefore to restrict imports with a view to balancing external payments. On the other hand, restriction of imports in many cases accentuates inflationary pressures in the home economy due to inadequate supplies of goods, and this calls for occasional relaxation of import controls.

A significant trend in policy has been the attempt on the part of several countries to frame import programmes on the basis of which to administer licensing. In framing such programmes, countries take into account available foreign-exchange resources, including not only the proceeds from exports but also other sources such as external credits and grants, and, in the case of Ceylon, India and Pakistan, releases of sterling balances. In most countries import programmes are drawn up on a six-month basis.

During the second half of 1950, Burma, Ceylon, Indonesia and Pakistan relaxed import controls with a view to improving supplies of essential goods or combating inflationary pressures. This was made possible in most cases by an improvement in their export prices and exports, largely due to increased demand consequent upon the outbreak of the Korean war. India and the Philippines had to continue controls and, in certain instances, to intensify them.

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[9] At the fifth session of the Contracting Parties to the General Agreement on Tariffs and Trade in November-December 1950, consultations were held with, among other countries, Ceylon, India and Pakistan, contracting parties for the ECAFE region, and with the United Kingdom (on behalf of Malaya and British Borneo territories to which the GATT applied) under Article XII:2 of the Agreement, reviewing the import restrictions in force in those countries.

No suggestion was made during the consultations that it would be appropriate for India and Pakistan to engage in any further relaxation of their restrictions on imports from the dollar area, and the International Monetary Fund, which was consulted, expressed the opinion that no further relaxations in the case of these countries were feasible in the present circumstances. During the consultations the representatives of several countries expressed the view that a progressive relaxation of the hard-currency import restrictions of certain countries in the sterling area, including Ceylon, might begin. See International Monetary Fund, second *Annual Report on Exchange Restrictions,* April 1951, pp. 159-160.

Burma

All imports, except a few items listed from time to time in open general licences, are subject to import and exchange licences. Under the import control, goods are classified into three categories: (*a*) goods which will ordinarily be licensed freely; (*b*) goods which will be licensed on quota or on merits; and (*c*) goods which will not be licensed at all. List (*a*) consists of essential imports for which licences are given with due regard to available stocks in the country and availabilities abroad; list (*b*) consists of semi-essentials, and list (*c*) of non-essentials and luxuries. The policy of the Government is to relax import control as exports recover and the foreign-exchange position improves. In April 1949, import control was relaxed so as to permit the import of certain luxury goods hitherto prohibited, such as silk and woollen materials, clocks and watches, pens. perfumery and toys, in addition to freer licensing of certain essential imports with the object of keeping down commodity prices. At the same time, import licences were issued freely to applicants for the import of any goods into Burma not involving foreign-exchange remittance. Under these licences Indian merchants in Burma were expected to finance imports from India out of their own resources without asking for foreign exchange from the Union of Burma Government. During the second half of 1950, the Government issued a series of open licences covering items such as drugs, medicines, textiles, yarns, chemicals, dyes, iron sheets, wire nails, agricultural implements and spare parts for machinery, with the object of bringing about a reduction in the cost of living and building up stocks of essential goods which are likely to become short as a result of the changed international situation. Part of the relaxation of credit on textile imports was designed to facilitate imports from Japan under trade agreement.

Ceylon

During 1947, especially in the first half of the year, there was considerable relaxation of control and a number of items could be imported under open general licence. In the latter part of the year, restrictions had to be imposed because of the dollar crisis of the sterling area, and also of Ceylon's own balance-of-payments difficulties. Ceiling values were fixed for several types of imports, and licences were issued on the basis of these ceilings. During 1948 the same system continued, only essential articles being freely importable. In the first half of 1949 there was a relaxation of import controls, but following the agreement of the Commonwealth countries, Ceylon agreed to limit its imports in July 1949-June 1950 from hard-currency countries to 75 per cent of the value of such imports during the calendar year 1948. These restrictions were further intensified in January 1950. With the improvement of the foreign-exchange position, there was a substantial liberalization of imports to the amount of available foreign-exchange resources, including foreign-exchange proceeds from exports and the annual release of sterling balances. The fact that nearly one-half of Ceylon's imports consists of highcost food grains and only a relatively small proportion of total imports is accounted for by non-essential imports, allows small scope for reduction. In 1950, with improved prices for rubber, Ceylon's terms of trade and foreign-exchange position improved and facilitated liberalization of import control. A significant feature of import control has been the use of import duties to reduce foreign-exchange expenditure.[10]

Hong Kong

Hong Kong's import control is closely related to exchange control and was considered above under that subject.

India

Import control in India,[11] which was introduced in 1940 as a wartime measure, has been continued in the post-war years on account of balance-of-payments difficulties. The Imports and Exports (Control) Act, 1947, which expired in March 1950, has been re-enacted for a further period of five years. Before 1947, the operation of exchange control in India was limited to non-sterling currencies, especially hard currencies; therefore a considerable sector of India's foreign trade was free from exchange control. Licences for import were issued on a selective basis rather than on the basis of restricting the over-all values of imports. At the end of the war, the need for large imports led to a liberalization of import policy during 1946. The system of open general licences was extended to a large number of commodities from sterling as well as hard-currency sources. The result was a heavy drain on India's foreign-exchange resources and a considerable increase in imports. Therefore, in the first half of 1947, various steps were taken to restrict imports to goods considered essential for the economy. From July 1947, when the major portion of India's sterling balances became blocked, concurrently with the negotiations of short-term arrangements to release portions of the balances, import control entered on a new phase, being closely linked with foreign-exchange control and the balance-of-payments position. Since then the main objective of import control has been the conservation of exchange resources and the securing of essential imports. To this end quantitative licensing, and quotas on the basis of specific foreign-exchange allocations for specified imports from the different currency areas, were adopted. From July 1947 to June 1948 a strict policy of import restriction was in force, necessitated by the limited convertibility of sterling resources. Since this policy resulted in growing inflationary pressures, steps were taken to liberalize import control between July and October 1949, and open general licences for a wide variety of commodities, including certain non-essential goods, were issued. The result of this policy was an increase in balance-of-payments deficits, especially of hard currencies; therefore import control was made more rigorous in respect of hard-currency imports and, in the first half of 1949, open general licences were modified and restricted, involving a severe restriction of imports from hard-currency areas. Between June and September, 1949, owing to the severe drain on hard-currency resources of the sterling area, the granting of import licences in respect to hard-currency areas was totally suspended. In July 1949, the Conference of Commonwealth Finance Ministers took a number of decisions involving new policies in import control. India, in common with other members of the sterling area, agreed to limit its dollar imports during the year ending June 1950 to 75 per cent of their value in the calendar year 1948. After devaluation in September 1949, the position improved and the import programme for the half-year January-June 1950 was more liberal than during the previous half-year.

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[10] Ceylon, *Finance Minister's budget speech 1947-48*, pp. 37-42.

[11] The Government of India appointed an Import Control Enquiry Committee; see the Committee's *Report* for a review of import control policy and administration.

The import licensing programme for the half-year July-December 1950 was aimed at the attainment of a balanced foreign-exchange budget. The over-all policy was to provide adequately for the country's requirements of machinery and industrial raw materials, and to make necessary provision for the minimum requirements of consumer goods. Open General Licence No. XX was issued on 5 August 1950, allowing for the import of a broad class of goods, including metals, alloys and chemicals, from any part of the world and for several other goods from soft-currency countries only. Goods imported under this licence were to be shipped before 31 December 1950. This was later replaced by a new Open General Licence No. XXI, which covers the period up to 30 June 1951, and in which the inclusion of items is governed by the following considerations:

(*a*) That the commodities are essential for industrial or agricultural production or for the life and health of the people,

(*b*) That the volume of imports likely to be received under open general licence will not seriously embarrass the balance-of-payments position; and

(*c*) That there is no significant Indian production of appropriate quality of the commodity concerned.

Another significant development in import policy was the announcement in June 1950 of a long-term licensing scheme, covering a substantial range of import trade, particularly raw materials and other requirements of industry. When the licensing programme for July-December 1950 was announced, the Government simultaneously announced its decision to issue licences for a limited number of imports during January-June 1951 as well. Additions to this advance licensing list for the half-year January-June 1951 were announced on 15 December 1950, providing for the issue of import licences for all reasonable requirements of important raw materials, semi-manufactured goods and plant and machinery. The object of issuing licences in advance is to enable trade and industry to plan its import programme more effectively.

Indochina

Import control is administered according to bi-yearly import programmes. In the preparation of these programmes, franc sources of supply are considered first, and the available foreign exchange other than franc is allocated on the basis of the relative importance of the commodities. A quota system is also employed in issuing the licences.

Indonesia

Import control in Indonesia is administered on the basis of approved import programmes drawn up from time to time in the light of available foreign exchange. Imports are classified into two groups: (*a*) imports for which foreign exchange is required, (*b*) imports for which no official exchange is required. As regards the first group, licences are issued on a quota basis with reference to sources of supply. Imports from soft-currency sources are preferred to those from hard-currency sources. Generally capital goods and other essential goods are licensed freely. As regards commodities for which no foreign exchange is required, the importer has to establish that the foreign exchange available to him is not the result of smuggling and that the imports are essential to the economy. Furthermore, import licences are issued with reference to several countries with which Indonesia has entered into trade agreements. Under the exchange certificate system introduced in March 1950, import control is closely integrated with foreign-exchange control. Importers are required to obtain an exchange and import licence as before, but in addition are to produce an exchange certificate for the amount of exchange required. Exchange certificates may be purchased from the authorized banks at twice the official rate.

Malaya and British Borneo

The principles of exchange control of the sterling area are in force in the Federation of Malaya, Singapore and the British Borneo territories. Imports, especially from hard-currency countries, are restricted. Such restrictions apply, however, only to luxuries and to those commodities which can be obtained in adequate quantities from other than hard-currency areas. Commodities essential to rehabilitation and economic life are licensed freely to the extent necessary, including those from hard-currency sources. These commodities include building materials, chemicals, foodstuffs, metal products, oils, motor tyres and tubes, and certain miscellaneous commodities. Limited quantities of certain other commodities of hard-currency origin which enter into the Malayan re-export trade to neighbouring territories are allowed to be imported. A few selected items are under licence on the basis of quotas from hard-currency areas, for which no discrimination is exercised as between one hard-currency area and another. A further list shows restricted imports from hard-currency areas, which may be licensed on the merits of each case. Goods of non-sterling origin may be imported from Hong Kong provided that payment is made to Hong Kong in a sterling-area currency. However, importers of such goods are not authorized to remit funds beyond Hong Kong. As a rule all imports from hard-currency areas, except those mentioned in the official lists, are regarded as prohibited.

Pakistan

Import control in Pakistan is not highly restrictive, and the policy has been progressively to liberalize imports. The following categories of imports are controlled: (i) imports for which no licences will be granted, consisting of about eleven items, such as precious stones and jewellery; (ii) goods which can be imported from soft-currency and sterling-area countries under open general licence; (iii) goods which can be imported from hard-currency countries against individual licence; (iv) goods which can be imported from soft-currency and sterling-area countries only under individual licence. From time to time, the commodities have been added to or reduced in number according to the state of foreign-exchange reserves. During 1948, there was a very liberal relaxation of import control. By March 1949, only twenty-five items required an import licence, and 600 items were free so far as soft-currency and sterling-area countries were concerned, whereas a year earlier, more than 500 items had required individual licence and only 100 items could be imported without licence. During 1949 the main change in import control was the suspension, in September, of the open general licence for imports from sterling and soft-currency areas, due to the situation created by the devaluation of many currencies. The Government, however, announced that the same amount of foreign exchange would be available for imports for the year as during the period July 1948 to June 1949. A new open general licence with a considerably smaller list of items was issued in October 1949. Machinery, drugs, medicines, and selected chemicals were licensed for mport from hard-currency areas. Under the Commonwealth arrangements, Pakistan agreed to limit its expenditure of hard currencies in the year ending June 1950 to 75 per cent of the value of such imports during the corresponding period in 1948/1949. After March 1950 there was a considerable liberalization of import control consequent upon a remarkable mprovement in export prices and foreign-exchange earnings. At present the bulk of consumer goods, plant and machinery and most industrial raw materials can be imported freely without any licence. It is estimated hat 70 per cent by value of Pakistan's total commercial imports need no icence. As a result the prices of consumer goods have been held in check.

Philippines

As the result of the increasingly adverse foreign-exchange position, import control was introduced in the Philippines with effect from 1 January 1949. No non-essential or luxury articles specifically mentioned in a list could be imported into the Philippines without an import licence issued by an Import Control Board. The quantity or value of each luxury or non-essential article that was imported was fixed by the Board quarterly, semi-annually or annually, in accordance with a schedule of percentage reductions prescribed for various imports. The Board fixed the quota for each article in terms of quantities or values and allocated such quotas to the importers duly registered for such articles, on the basis of their imports in the period 1 July 1947 to 30 June 1948. An alternative base, namely, two-thirds of a trader's imports from 1 July 1947 to 31 December 1948, was also permitted. A maximum of 20 per cent of the quota fixed for each article was reserved for allocation to new importers. The percentage reductions prescribed for the various imports ranged from 20 to 95 per cent, the reduction for the majority of articles being as high as 40 to 60 per cent. These percentage reductions were in some cases related to minimum prices per unit of the imported commodities.

In August 1949, more items were added to the list of controlled imports, and on 1 December 1949 control was again extended to a large number of new items, the percentage reductions being also increased in many groups because of the worsening balance-of-payments position. Exchange control, introduced in December 1949, helped to keep down the volume of controlled imports, but there was a large-scale speculative shift of trade from controlled to non-controlled imports. Therefore a comprehensive system of import licensing was brought into force.

Under the new import control law of May 1950, imports were classified into quota or non-quota imports. Quota imports were classified into (i) prime imports, i.e., commodities of first and prime necessity not available locally in sufficient quantities, (ii) essential imports, i.e., not of first necessity, but essential for the well-being of the people, (iii) non-essential imports, and (iv) luxury imports. Percentage cuts from the average value of imports for the years 1946 to 1948 were: not more than 40 per cent in class (i), 40 to 60 per cent in class (ii), 60 to 80 per cent in class (iii), and 80 to 90 per cent in class (iv).

No imports of non-quota commodities are permitted except under licence, and they may not be imported in excess of their import value for the year 1948, except in the case of agricultural machinery and equipment, and other machinery, materials and equipment for dollar-producing and dollar-saving industries. In practice, imports of non-quota goods have been limited to percentages ranging from 48 to 84 per cent of their 1948 value. In addition there are certain "non-quota" items, specified in the May 1950 act as not being under quota allocations. These include raw materials for the manufacture of "prime necessities" or "dollar-saving and dollar-producing commodities" provided such raw materials are not sufficiently available in the Philippines, supplies for government hospitals, schools, etc., articles imported in exchange for or bartered with Philippine products, and goods imported pursuant to the provisions of any price-control law or regulations.

The Central Bank is required to notify the Import Control Board of the amount of foreign exchange available for imports in any specified period, and licences may not be issued in excess of the amount indicated. Thirty per cent of the import quotas is reserved for new importers, and this proportion is to be increased to 50 per cent in 1952-53. A new importer must be a Philippine citizen, or a corporation at least 60 per cent of whose stock is owned by Philippine citizens. Citizens of the United States are accorded the same privilege. Quota allocations are not transferable. As a result of the imposition of import control, there was a reduction in total imports in January-June 1950 by nearly 40 per cent as compared with January-June 1949.[12] There was a considerable reduction in imports of consumer goods to the extent of P.230 million, as compared with a reduction in total imports from P.628 million to P.374 million in the same period.

Thailand

In Thailand two phases of import control can be distinguished in the post-war years. The first was in 1946, when all imports were brought under licensing. Owing to ineffective enforcement this control was ended in January 1947. The second phase started in December 1948, when imports of luxuries, such as toilet goods and perfumery, toys, non-essential foods, automobiles and cement, were brought under licence, while other goods could be imported freely. The object of the control was to divert the expenditure of foreign exchange to the purchases of productive equipment and essential commodities. In May 1950 the import control law was replaced by a new notification under which the list of imports subject to licensing was reduced and limited to sugar, automobiles, cement and paint-diluting oil. Towards the end of June 1950, control on all imports except automobiles and paint-diluting oils was lifted. Therefore, the great bulk of import trade is free from control.

Export Controls

Export controls are in force in all countries of the region. In nearly every country there is a list of prohibited exports comprising commodities essential for home consumption. In the case of food-deficit countries, food grains and food products are prohibited from export. In countries such as Burma, Ceylon, Pakistan and the Philippines, the export of specified manufactured articles and the re-export of manufactured articles of foreign origin are prohibited. As a rule these total prohibitions are held to a minimum. Bullion exports are generally banned.

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[12] *Report to the President of the United States by the Economic Survey Mission to the Philippines,* Washington, October 1950, p. 41.

The main objective of export control is to ensure that foreign-exchange proceeds are surrendered to the exchange-control authorities; other purposes are to conserve adequate supplies for home consumption and, in many cases, to promote exports to hard-currency countries. Some countries employ export control to fulfil their obligations under the international allocations of commodities such as fats and oils, rice and tin, or as bargaining weapons in the negotiation of trade agreements.

As contrasted with import control, a noticeable trend in export controls in most countries of the region has been towards relaxation. Emphasis has been on export promotion rather than restriction. This is understandable in view of the shortage of foreign exchange.

In *Burma,* all exports are under licence. Export of rice and timber is handled by the Government. Other items are licensed by the Ministry of Commerce and Supply. Export of manufactured commodities processed outside Burma is prohibited.

In January 1950, export of copra and fresh coconut from *Ceylon* was prohibited in order to promote the export of oil. The ban was removed in June.

Since the end of the war, important steps have been taken to free exports from control in *India.* Principal features have been: (i) removal of control on about 250 articles; (ii) increase in the over-all export quotas of articles on which control is retained by reason of inadequate supply relative to home requirements and world demand; (iii) fixing of "destinational" quotas, i.e., quotas to the several importing countries of commodities in short supply; (iv) allocation of quotas to exporters on the basis of their past exports and other relevant considerations, while reserving a portion for new entrants, the principal commodities subject to such quota or quantity determination being jute goods, cotton, cotton piece-goods, oilseeds, hides and skins, and tea; (v) total prohibition of the export of certain commodities in the interest of the domestic economy, e.g., food grains and certain varieties of raw cotton.

Lately, the policy of decontrol has revealed certain disadvantages. Exports not under control were re-exported to hard-currency areas with less dollar exchange accruing to India. Besides, it was found to be an advantage, in negotiating bilateral trade agreements, to be able to allocate specific quantities of commodities in adequate supply. Hence in recent months some commodities have again been brought under licence. On the basis of a report by an Export Promotion Committee appointed in 1949, several steps have been taken by government, including control of speculative activity, improvement in export control machinery and abolition of sales tax on exports.

Exports from the *Associated States of Indochina* to the territories of the French Union are generally free from licence. Commitments under trade agreements are fulfilled by appropriate licensing. Barter trade is permitted to a limited extent with Hong Kong.

All exports from *Indonesia* are subject to licensing. Exports of foodstuffs, such as rice and maize, are prohibited. A few commodities such as copra, cinchona and mineral ores are handled by government agencies. Export control is closely integrated with the exchange certificate system. Exporters surrender their exchange proceeds, and not only receive the equivalent in local curency at the official rate but are given negotiable certificates expressed in Indonesian rupiahs, amounting to 100 per cent of the proceeds surrendered. The certificate entitles the holder to purchase foreign exchange in an amount equivalent to its face value, calculated at the official selling rate, provided he has obtained an import or exchange licence. The certificate is valid for thirty days; within this period the holder may either use it directly or sell it through an authorized bank.

All exports from *Pakistan* are subject to licensing. As a rule exports of raw cotton and raw jute are allocated under quotas to various importing countries. Exports of raw jute to hard-currency areas are permitted without licence. During 1950 export promotion was emphasized, especially to hard-currency areas, mainly by way of removal of quotas in respect of these areas.

In the *Philippines*, apart from general licensing applicable to all exports, specified commodities, including food items and certain manufactured goods, require individual licence. Re-export of goods exported by the United States to the Philippines under allocation is subject to individual licence; so are surplus United States war materials. Exports of timber are subject to certain restrictions in the interest of the home economy. Under the trade agreement with the United States, quantitative quotas are operative for certain Philippine exports: sugar, cordage, rice, cigars, tobacco, coconut oil, and buttons of shell or pearl.

Principal exports from *Thailand* require licence, as do all exports to Japan. Rice exports are handled by the Government, and tin exports are governed by international allocations. The re-export of goods of foreign origin is, as a rule, not permitted. Exports of coconuts and copra are not permitted, while exports of coconut oil and cake are permitted up to specified monthly quotas of the production of mills. Export of jute bags is subject to an obligation on the part of the exporter to import a like quantity within six months and to provide a cash deposit or bank guarantee.

Trade and Payments Agreements

The principal objectives underlying the trade and financial arrangements of countries of the region have been to ensure supplies of essential commodities, to develop export markets and for new commodities, and to economize the use of foreign exchange, especially hard currencies. The desire to promote closer political relationships with countries both within and outside the region has also played a part in some cases. For countries of the region, the negotiation of bilateral agreements is largely a recent, post-war experience. India, Indonesia and Pakistan have been most active in this field. Indonesia has participated in the numerous post-war trade agreements of the Netherlands with European and Latin-American countries, and has also renegotiated the agreements. Similarly the Associated States of Indochina have participated in the trade agreements entered into by the French Union. China, during 1946-48, entered into a wide range of barter arrangements with France, Italy, India, Indonesia and Japan. During 1950 the Peking Government concluded with the Union of Soviet Socialist Republics a Pact of Alliance and Mutual Aid which provided for a substantial exchange of goods in connexion with the credits of $300 million extended by the USSR.

The trade and financial agreements of the countries of the region may be considered under the following three categories:[13] extra-regional agreements, intra-regional agreements and agreements with Japan.

Extra-Regional Agreements

All countries of the region have entered into trade and financial agreements with countries outside the region, especially in Europe, for the whole or part of the two years 1950-51. Thus India has concluded trade agreements with Austria, Czechoslovakia, Norway, Switzerland, Western Germany and Egypt; Pakistan with Austria, Czechoslovakia, Hungary, Italy, Poland, Spain, Switzerland, Western Germany and Egypt; Ceylon with Sweden and the United Kingdom; Indonesia with Australia, Hungary, the Netherlands, Poland, Sweden and Western Germany; Thailand with Western Germany; and China with Czechoslovakia, Eastern Germany, Poland and the USSR.

Intra-Regional Agreements

Intra-regional trade agreements, though not as numerous as those with Japan and the European countries, are nevertheless significant. Trade and payments agreements between India and Pakistan are important instances of intra-regional agreements from 1947 to 1950.

The trade and payments agreements between India and Pakistan, operative for the year ending June 1950, came to a deadlock in September 1949 following the controversy between the two countries concerning exchange rates.[14] In April 1950, a short-term trade agreement was signed providing for the supply of raw jute by Pakistan to India against payment in Indian rupees. With the rupee proceeds Pakistan purchased certain specified commodities from India such as jute manufactures, cotton textiles, cement and timber. In addition, certain other commodities were to move freely between the two countries. This agreement aimed at balanced trade. With the expiry of this agreement in September 1950, no new agreement was negotiated between the two countries until 26 February 1951, when a further agreement was finalized. This agreement is valid up to 30 June 1952 and provides for a considerable increase in trade between the two countries over that secured in 1950. The agreement specifies the quantities of various commodities to be exchanged in the period from February 1951 to 30 June 1951 and for the period of one year ending in June 1952. It visualizes the export of food grains, raw jute, raw cotton, and hides and skins by Pakistan to India and the import into Pakistan from India of oil, iron and steel products, cotton manufactures, jute manufactures, cement, and a number of other commodities. The controversy concerning exchange rates has been settled under the agreement by India accepting the par value of the Pakistan rupee. Trade between the two countries will be conducted in their respective currencies and the balance can be settled in sterling at any time at the option of the creditor.

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[13] The main provisions of these agreements are summarized quarterly in the *Economic Bulletin for Asia and the Far East*, Vol. I, Nos. 1, 2 and 3, by the Secretariat of the United Nations Economic Commission for Asia and the Far East, Bangkok, Thailand. For a further account, see also ECAFE, *Trade and Financial Agreements in the ECAFE Region.* (Trade and Finance Paper No. 2, January 1950.)

India's trade agreements with Ceylon, Indonesia and Nepal, and the agreement between the Philippines and Thailand represent other efforts towards increased intra-regional trade during 1950. The trade agreement between Ceylon and India, valid for the year 1950, not only provided for the exchange of mutually needed goods but also indicated the desire of the two countries to concert their policies in marketing tea and to consider the incidence of customs duties on certain items in their mutual trade. The trade agreement between India and Indonesia is important, providing for trade of about Rs. 46 million each way between 1 November 1950 and 30 June 1951, representing a threefold increase of trade between the two countries over the year 1949/50. India secures an export market for some of its manufactured articles in Indonesia, in exchange for tin, copra, and certain other commodities from Indonesia. The treaty of trade and commerce between India and Nepal for a ten-year period beginning 31 July 1950 is concerned with transit trade, providing for the export of Nepal's products through the territories of India and imports into Nepal through Indian territories from other areas. It provides that Nepal will levy the same import and export duties as India because otherwise, in view of the prevailing free trade between the two countries, India's tariff policy might be weakened by re-export trade with Nepal. The projected agreement between the Philippines and Thailand seeks to obtain rice from Thailand for the Philippines and also involves an increase in trade between the two countries.

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[14] See *infra,* chapter XV on "Currency and Credit".

Agreements with Japan

All the countries of the region except Nepal have entered into trade and payments agreements with Japan through the Supreme Commander for the Allied Powers in the post-war years. Countries of the region which are members of the sterling area, i.e., Burma, Ceylon, India, Hong Kong (subject to qualifications), the Federation of Malaya and Singapore, the British Borneo territories, and Pakistan, are participants in the SCAP-Sterling Area Over-all Payments Arrangements of May 1948 under which trade with Japan is conducted in sterling and can be settled multilaterally in sterling within wide limits. Trade agreements and programmes were jointly negotiated and contracted between Japan and certain countries of the sterling area for 1948/49, 1949/50, and 1950/51. Sterling-area countries of the region which did not participate in these collective negotiations conducted separate negotiations and signed separate trade agreements with Japan through SCAP; Burma, Ceylon and Pakistan did this on one or more occasions. Hong Kong, because of its *entrepôt* trade, has separate open-account trade arrangements with Japan. Indonesia, which in 1948-50 participated in the Netherlands' agreements with Japan, signed a separate agreement in 1950. The Associated States of Indochina have been participating in the French Union's agreements with Japan. The Philippines, which in 1948-50 was conducting its trade with Japan on open account in dollars without a trade programme, negotiated an agreement in 1950. Thailand has negotiated three trade arrangements with Japan. The Republic of Korea and the National Government of China also signed agreements with Japan through SCAP in 1950.

Working of Trade Agreements[15]

Evidence so far presented by some governments of the region, notably India, suggests that by means of these agreements they have been enabled to obtain supplies of essential commodities, including capital goods, scarce metals, and consumer goods, especially when shortages were acute. There is reason to believe that, if shortages in all these types of goods develop as a result of rearmament, trade agreements are likely to play an ever more important part in assisting governments to obtain allocations. During 1950 several governments of the region experienced increasing difficulty in obtaining allocations.

The trade plans under the agreements are not binding commitments The contracting governments agree to issue the import/export and exchange licences up to the value or amount of the commodities specified i the agreements. Furthermore, the trade between the participating countrie is, in most cases, not limited to commodities specified in the agreement The actual conduct of trade, except in specified items, is left to the norma channels of trade, subject to satisfactory conditions regarding prices, quantity, period of delivery, etc. The fulfilment of trade plans therefore depends on these factors. Governments facilitate such fulfilment by providing transport and other facilities, if necessary, for the movement of goods, and by periodical review of the progress made. An important help to trading channels is the wide publicity given to the lists of available commodities under the agreements. In the absence of data on actual trade accomplished against the goals set for commodities under the agreements, and on trade conducted outside the agreements, it is not possible to assess accurately the degree to which trade programmes have in fact been implemented.

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[15] The ECAFE secretariat is currently engaged in the preparation of a report o the working of trade agreements in the ECAFE region.

Information available on the working of Japan's trade agreements[16] shows that Japan's programme of trade and financial agreements since 1948 has produced satisfactory results, especially in having enabled Japan to obtain supplies of essential raw materials and foodstuffs, to reopen its trading channels, to shift its sources of supply from dollar to non-dollar areas, and to secure urgently needed foreign exchange by selling its manufactured products abroad. Japan has also provided technical assistance in industrial development, especially cottage industries, under these agreements, *inter alia* to Burma, India and Pakistan.

During the year 1948, which marked the initiation of formal trade agreements, total imports and exports aggregated approximately $US 941 million (imports $US 683 million and exports $US 258 million). Trade with trade-agreement countries amounted to approximately $US 273 million, or 29 per cent of the total. In 1949 total trade increased to $US 1,415 million (imports $US 906 million and exports $US 510 million). Trade-agreement countries accounted for $US 567 million or 40 per cent of the total, an increase of 107 per cent over 1948. The first nine months of 1950 showed a further rise in Japan's trade with trade-agreement countries. Total trade exceeded $US 1,200 million (imports $US 683 million and exports $US 533 million); $US 609 million or 50 per cent represented trade with trade agreement countries, an increase of 123 per cent over the total in 1948.

Table 73 shows the trade of Japan with trade-agreement and non-trade-agreement countries during 1947 (a year of no trade agreements) and 1948-1950.

Achievement of trade goals with the sterling-area countries in the region has been most satisfactory. In 1948/49 as well as in the succeeding year, the volume of actual trade exceeded the programmed estimates. The volume of trade for the trade year 1949/50 was approximately double

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[16] In connexion with the study of the working of trade agreements, a report has been presented to the ECAFE secretariat by SCAP Economic and Scientific Section, Foreign Trade and Commerce Division, on the subject. This report will be issued by the secretariat as part of a larger report on the working of trade agreements in the ECAFE region. For this section, the SCAP report has been freely drawn upon.

Table 73. Comparison of Japan's Import and Export Trade with Trade-Agreement and Non-Trade-Agreement Countries[a]

	1947		*1948*		*1949*		*January-September 1950*	
	$ value (million)	*Per cent of total $ value*	*$ value (million)*	*Per cent of total $ value*	*$ value (million)*	*Per cent of total $ value*	*$ value (million)*	*Per cent of total $ value*
GRAND TOTAL	697	100	941	100	1,415	100	1,217	100
Import	524	100	683	100	906	100	683	100
Export	174	100	258	100	510	100	533	100
Trade-agreement countries								
Total	*158*	*22.6*	*273*	*29.0*	*567*	*40.0*	*609*	*50.1*
Import	33	6.3	103	15.2	208	23.0	289	42.4
Export	125	71.8	169	65.5	358	70.3	320	59.9
ECAFE								
Total	*106*	*15.2*	*179*	*19.0*	*316*	*22.3*	*335*	*27.6*
Import	23	4.4	63	9.2	116	12.8	161	23.6
Export	83	48.0	116	44.8	200	39.2	174	32.6
Other trade-agreement countries								
Total	*51*	*7.4*	*94*	*10.0*	*251*	*17.7*	*274*	*22.5*
Import	10	1.9	41	6.0	93	10.2	128	18.8
Export	41	23.8	54	20.7	159	31.1	146	27.3
Non-trade-agreement countries								
Total	*539*	*77.4*	*668*	*71.0*	*849*	*60.0*	*608*	*49.9*
Import	490	93.7	579	84.8	697	77.0	394	57.6
Export	49	28.2	89	34.5	152	29.7	214	40.1

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[a] Prepared by CHQ, SCAP, Economic and Scientific Section, Foreign Trade and Commerce Division, 15 November 1950.

that of the previous year, and it is estimated that trade in 1950/51 will once again be increased by almost 100 per cent.

During the first nine months of 1950, Japan's imports from Indonesia amounted to $US 8.3 million while Japan's exports to Indonesia amounted to $US 30.9 million. Taking into consideration contracts outstanding at the end of September as well as anticipated business during the balance of the year, indications are that total trade in 1950 will surpass that of 1949.

Against the trade plan, during the first nine months of 1950, Japan's imports from Thailand amounted to more than $US 39.8 million, while Japan's exports to Thailand amounted to over $US 29.9 million. Furthermore, taking into consideration contracts outstanding at the end of September against which deliveries had not yet been made, indications were that trade during 1950 would attain the level envisaged by the agreement. The Thai-Japanese trade agreement has not only raised the volume of trade between the two countries but has been a major factor in increasing Japan's supply of food through increased imports of Thai rice (which reached a total of approximately 280,000 tons delivered during January-September 1950) in exchange for equipment, capital goods, and other manufactured articles needed by Thailand.

In spite of the war in Korea, Japan's trade with South Korea during he first nine months of 1950 totalled nearly $US 27 million; Japan's mports from South Korea totalled $US 15 million as compared with less han $US 4 million in 1949 and approximately $US 5 million in 1948.

During the first nine months of 1950, Japan's exports to Hong Kong amounted to $US 24.2 million, while imports from Hong Kong amounted o $US 28.9 million. However, indications are that Japan will close the current trade year with a substantial positive balance, to be used to effect additional purchases from Hong Kong. Negotiations are currently in progress to develop the details of such a programme.

Japan's trade programme with Burma is expected to be fulfilled in 1950.

Tariff Policies

The importance of import and export duties in the fiscal systems of the ountries of the region, and the degree of protection afforded by tariffs to local industries, are considered in chapters XIV and VI on Public Finance nd Planning for Economic Development.[17] Customs duties accounted for ercentages of total tax revenue in 1949/50 varying from 8 in the Philipines to 40 in India, 50 in Burma and 59 in Pakistan.

Import Tariffs

Import tariffs are levied at varying rates and to a varying extent in most countries of the region. Hong Kong and Singapore are exceptions, being fundamentally free ports. For the most part such duties are revenue duties, not protective. Apart from the mainland of China, India is the only country in the region which has been levying import duties since 1923 as a significant part of a policy of protecting home industries. This policy applied to Burma, which was part of India until 1937, and to Pakistan until the partition of the Indian sub-continent in August 1947. In Pakistan the beginnings of a protective policy are in the making with the establishment of a Tariff Commission. In Burma, a government committee[18] was at work in 1950, investigating the principles and policies appropriate to tariff policy for Burma. In Ceylon protection is given t a few small local industries by means of import duties.

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[17] See also *Economic Survey of Asia and the Far East, 1949*, chapter VII.

Revenue duties on imports are probably having protective effects o local industries of the region, especially when the rates are high and ar raised from time to time. Such protective effects, however, have not bee adequately investigated, if at all.

In countries in which protective tariffs are employed, their effects ar obscured, if not overshadowed, by quantitative controls.[19]

Two features can be distinguished in the post-war tariff policies o *India.* In November 1945 an Interim Tariff Board was appointed fo a period of two years to investigate the claims of various industries seekin protection or government assistance. An industry seeking protection wa required to satisfy the Interim Tariff Board that: (1) it was establishe and conducted on sound business lines; and (2) (*a*) that, having regar to the natural or economic advantages enjoyed by the industry and it actual or probable costs, it was likely within a reasonable time to develo sufficiently to be able to carry on successfully without protection or stat assistance or (*b*) that it was an industry to which it was desirable in th national interest to grant protection or assistance and that the probab cost of such protection or assistance to the community was not excessiv

Where a claim to protection or assistance was found to be establishe i.e., if condition (1) and condition (2) (*a*) or (*b*) were satisfied, the Boa would recommend “(i) whether, at what rate and in respect of wh articles, or class or description of articles, a protective duty should imposed; (ii) what additional or alternative measures should be taken protect or assist the industry; and (iii) for what period, not exceedi three years, the tariff or other measures recommended should remain force”.[20]

These terms represented a considerable departure from those of t pre-war tariff boards in two important respects: (i) the post-war tar board was allowed to recommend protection to industries which it co sidered to be of national interest; (ii) it was authorized to recomme other measures of assistance besides tariffs. In addition the Interim Tar

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[18] Burma Customs Administration Enquiry Committee, 1950.

[19] See also *supra*, chapter VI.

[20] Government of India, Report of the Fiscal Commission 1949/50, page 53.

oard was assigned certain other functions not assigned to previous tariff
oards. Such functions included: maintaining a continuous watch over
e progress of protected industries and inquiring into the costs of pro-
uction and prices of specified industries and problems, undertaking
vestigations on the effects of tariff duties, reporting to the Government
n combinations, monopolies, etc. and measures to prevent malpractices,
tc. The Interim Tariff Board has mainly concentrated on investigating
e claims of industries for protection. During the five years 1945-1950,
e Board conducted ninety-five inquiries and, besides protective duties,
has recommended other types of assistance. Such types of assistance
re: (*a*) placing of orders by government with indigenous manufacturers,
b) refund of duty on capital goods or raw materials required by the
digenous industry, (*c*) adoption of measures to safeguard the Indian
ction of industry in the event of foreign enterprises in India expanding
roduction to the detriment of Indian interests, (*d*) financial assistance
r technical training and employment of foreign experts, and (*e*) descrip-
on of suitable standard specifications.

In 1947 the Board was reconstituted for a period of three years. Since
947, it has carried out ninety inquiries, of which five related to fixation
f internal prices. Of the eighty-five tariff investigations, forty-six were
w applications from industries for protection. Thirty-nine related to
e continuance or modification of protection already given. The Board
as recommended protection to thirty-eight industries for the first time
d the continuance of protection to twenty-two industries. The protection
vers war-time industries, as well as old established ones.

The Fiscal Commission,[21] which examined the results of the policy of
rotection, especially during 1947-1950, came to the conclusion that it
ad resulted in substantial benefit to the country.

In its statement on industrial policy of April 1948, the Government of
akistan said that it would “always be prepared to give favourable con-
deration to claims for a reasonable measure of protection for industries
tablished in Pakistan”, adding, “Such claims will be subjected to
amination by a Tariff Board to be appointed as and when required.”
ccordingly a Tariff Commission was established in 1950. In making its
vestigations the Tariff Commission has been asked to satisfy itself that:
) the industry is established on sound lines and conducted with reason-
le efficiency, (2) (*a*) having regard to natural advantages the industry
likely to dispense with the necessity of protection by, or assistance from,
vernment within a reasonable period of time, during which the additional
st to the consumer or charge upon the Exchequer is not excessive, or
) the establishment of the industry is essential to the security or economy
Pakistan, and (3) the protection of the industry by means of tariffs
not inconsistent with any treaty obligations undertaken by government.
making its recommendations the Commission has been asked to take

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[1] See Government of India, *Report of the Fiscal Commission,* 1950, chapters III - VI.

into consideration the interests of the consumers and also to give due weight to the interests of those industries which may use the articles in respect of which protection and/or assistance may be granted.

Under its terms of reference the Tariff Commission has so far investigated the claims of various industries. Some of these inquiries were of a summary character, while others were full investigations. On the recommendation of the Tariff Commission, full rebate of the import duty on raw materials required in the local manufacture of lanterns and grinding wheels was announced in the budget in March 1951.

On the mainland of China a new tariff policy was formulated in 1950 The Government Administrative Council announced that while ordinary tariff duties would be imposed on commodities imported from countries which had concluded treaties or agreements with the Peking Government higher rates of duty would be imposed on commodities imported from countries which had not concluded such treaties or agreements. In orde to protect domestic production, customs duties on imported manufacture products or semi-manufactured products which could be produced on large scale within the country at the present time or in the future woul be higher than the difference between the production cost of importe products and the same kind of domestic products. In the case of machinery equipment, essential raw materials, grain seeds and fertilizers which ar not produced in China, the export duty would be lowered or exemptio would be given.

Export duties[22]

Export duties are levied, in general, for revenue purposes. As a rul they are imposed on selected exports which can bear the taxation. Th principal exports of the region, such as rubber, tin and tin ore, jute ra and manufactured, tea, and coconut and palm products, are subject t varying rates of duty. In post-war years there has been frequent modification of export duties. Particularly since devaluation, the duties have bee raised in several instances, partly because, as in Ceylon, India, the Federation of Malaya, and Pakistan, the government desired to share the benef of increased world prices of these commodities, and partly because it wa desired to prevent the generation of inflationary pressure by an expansio of money incomes accruing to the classes affected.

In *Ceylon,* export duties on tea and copra and coconut products yield nearly Rs. 150 million in 1948 and 1949, the duty on tea alone accountin for Rs. 112 million. These duties have been raised on one or more occasions since the war. In June 1950, the export duty on copra was increas from Rs. 150 to Rs. 300 per ton, with the object of maintaining a balan with export duty on coconut oil, so that copra would not be exported the detriment of oil. The duty on coconuts was reduced from Rs. 84 Rs. 42 per 1,000. In October 1950, the export duty on tea was rais from 35 cents per pound to 53 cents and in March 1951 to 60 cents. New export duties on rubber (15 cents per pound) and black pepper were levied, because of the rise in prices that had taken place since devaluation. It was stated that the receipts from the new export duties would partly compensate for the reduced revenue caused by the lowering of import duties, which was announced at the same time.

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[22] See *infra,* chapter XIV on "Public Finance", section on "The Rise in Exp Duties".

In *India* the export tariff schedule consists of very few items, and the duty is mostly charged at a specific rate. The items subject to levy are raw jute, jute manufactures, raw cotton, tea, manganese ore, black pepper, iron and steel products, mustard oil, and rice. Export duties were levied on oilseeds and vegetable oil in 1948/49 but repealed the following year. Following devaluation, the Government reintroduced these duties and levied new duties on coal, shellac and unmanufactured tobacco. The duty on hessian was raised from Rs. 350 to Rs. 750 per long ton, and a month later it was raised further to Rs. 1,500. On the latter occasion, the export duty on jute sacking was raised from Rs. 50 to Rs. 150 per ton. Effective from 8 November, the export duty on raw cotton was raised from Rs. 100 to Rs. 400 per bale of approximately 400 lbs., and new export duties were levied on cotton waste at 50 per cent *ad valorem* and raw wool at 30 per cent *ad valorem*. The Finance Minister stated in his budget speech that on account of the intensified demand for these commodities caused by the Korean war, the Government considered it necessary to take powers to increase, if necessary, existing export duties and levy new ones, the objectives being to keep internal prices of these commodities in check and to obtain revenue.

In the *Federation of Malaya*, export duties are levied on rubber, tin and tin ore, and coconut and palm products; of these, the first two yield the bulk of the revenue from export duties. The duty on copra and coconut oil was levied in 1947; in 1949 duty was levied on desiccated coconut and palm kernels, and the duties on tin and tin ore and rubber were raised.

The principal export duties levied in *Pakistan* are on raw jute and ute manufactures, raw cotton, cotton seeds, tea, hides and skins, and rice. In October 1950 the export duty on raw cotton was raised from Rs. 60 per bale to Rs. 180 per bale in the first instance and to Rs. 300 subsequently, because raw cotton prices started to soar as a result of considerably ncreased world demand.

Indonesia levies a general duty of 8 per cent on all exports, subject to wide number of modifications and exemptions. *Thailand* levies duty on xports of rice, seeds, teak, and rubber.

Negotiations under the General Agreement on Tariffs and Trade

Three international tariff conferences have been held since the end of ne Second World War. The first was held at Geneva in 1947, when twentyhree countries entered into tariff negotiations among themselves and drew up the General Agreement on Tariffs and Trade (GATT) to put into effect the results of the negotiations, and provide rules governing other aspects of their trade relations. The General Agreement, which is a multilateral trade agreement, comprises the schedules of tariff concessions, and *inter alia* various provisions designed to protect the concessions against nullification. This became operative in 1948. It was provided that further countries should be enabled to accede to the Agreement through negotiating concessions in their own tariffs. A second tariff conference on a smaller scale was held at Annecy, in France, in 1949, which resulted in the accession of a further group of countries to the Agreement. The third conference was held at Torquay, England, in September 1950. At this conference negotiations were carried out not only between the contracting parties and the acceding governments, but also among the contracting parties themselves for further concessions. A large number of negotiations has been completed and a substantial list of concessions has been achieved, which will be applied over a very extensive area of world trade before the end of 1951.

The reductions and bindings in the rates of tariff duties which were negotiated in 1947 and 1949 had an assured life only up to 1 January 1951. Thereafter it was open for any contracting party to give notice of the withdrawal or modification of such concessions. Widespread withdrawal or modification of such concessions would have impaired the stability of international tariff levels. Therefore it was decided that the assured life of the schedule of concessions, including renegotiated concessions, should be extended for another three years. Thus tariff schedules of the participating countries would be assured a period of stability of three years, when the agreement and protocols of Torquay are ratified in 1951.

The only ECAFE countries to participate in the first GATT conference, in 1947, were China and India. In addition, the United Kingdom negotiated on behalf of Burma and Ceylon. The negotiations carried out by India were accepted by both India and Pakistan after partition. The General Agreement is applied to the Federation of Malaya and Singapore and the British Borneo territories, and to Hong Kong by the Government of the United Kingdom, a contracting party, and to the Associated States of Indochina by the Government of France, also a contracting party. Negotiations on behalf of Indonesia were carried out by the Netherlands. Indonesia became a contracting party to the GATT in February 1950. At the Annecy Conference in 1949, eleven more governments joined the negotiations, but none of them was from the ECAFE region. At the Torquay conference in 1950/51, Ceylon, India, Indonesia, and Pakistan from the ECAFE region participated as contracting parties to the General Agreement. Burma, a contracting party, did not undertake negotiations at Torquay. The National Government of the Republic of China notified its withdrawal from GATT in May 1950. Countries from the ECAFE region which negotiated at Torquay with a view to acceding to the Agreemen were Korea and the Philippines.

In regard to the Associated States of Indochina, namely, Viet-Nam, Laos and Cambodia, the Government of France has undertaken to facilitate the accession of these countries to international trade agreements and it will be the responsibility of these countries to decide, within the framework of the general economic policy of the French Union, what their position will be in regard to GATT.

At Torquay, Ceylon, India, Indonesia, and Pakistan completed tariff negotiations with the following countries:

Ceylon: with the Union of South Africa and Germany.

India: with Canada, Denmark, Indonesia, Peru, the Philippines, Turkey, Austria and Germany.

Indonesia: with Canada, Czechoslovakia, France, India, Sweden, the United States of America, Austria and Germany.

Pakistan: with France, Italy, Turkey, Austria and Germany.

STATE TRADING

Government participation in export is important in Burma, China and Thailand, but not significant in other countries of the region. In import trade, food-deficit countries such as Ceylon, India, the Federation of Malaya and Singapore, and the Philippines, handle the import of food grains and other foodstuffs through governmental machinery. In India certain other essential imports are also handled by government with a view to ensuring fair internal distribution.

As compared with pre-war years, there has been an increase in government trading. State participation in trade has thus extended to both imports and exports. Where imports are concerned, the objectives of state participation are generally: (1) to ensure supplies of essential raw materials, consumer goods and/or capital goods, (2) to ensure the equitable distribution of these commodities to domestic consumers either on a ration basis or at controlled prices, (3) to obtain equipment and materials for the implementation of projects undertaken by government and (4) to retain a strong bargaining position with a view to obtaining lower prices.

State participation in export trade has been motivated by the following aims: (1) to retain a strong bargaining position and secure good prices for export commodities, (2) to assure, if possible, stable markets for exports and (3) to secure profits from trade for revenue.

In *Burma* the export of rice and timber, two principal commodities, is handled by the State Agricultural Marketing Board and the State Timber Board, government agencies set up for the purpose. This is part of the general policy of nationalization adopted by the Government since the war.

In *Ceylon,* governmental participation in export has taken the form of bulk sale contracts. During the war, Ceylon's entire output of tea, rubber and coconut products was sold to the United Kingdom Government at regulated prices. The value of these three articles alone accounted for 90 per cent of Ceylon's exports. These bulk sale arrangements were terminated in respect of tea and rubber at the end of 1946, and free market conditions were restored. As regards coconut products, the Government of Ceylon entered into a five-year contract with the Government of the United Kingdom providing for the sale of stated quantities at specified prices, subject to negotiation from time to time. The Government has a monopoly of the import of rice, flour and sugar, which are distributed under a rationing system. These items account for nearly one-half of Ceylon's total imports. Control on subsidiary foodstuffs such as butter, cheese and frozen meat is also in government hands. Other food items are left to normal channels.

On the mainland of *China* a resolution was passed early in 1950 by the National Foreign Trade Conference, to the effect that state enterprises should have a complete monopoly of the export of bristles, soybeans, metals and ores and should also handle a part of the export of other principal commodities, such as salt, coal, silk, tea, oils and fats, and furs and skins. Private traders might handle some of the principal exports if they were financially able to do so and also all less important commodities, such as medicines, carpets and other handicrafts. Private firms should also have the privilege of acting as agents for the Government in exporting commodities which have been definitely assigned to state enterprises. As to imports, state organizations should handle all imports of machinery, equipment and raw materials needed by government organizations and enterprises and should also handle a part of such requirements for private factories. Private firms should handle part of the equipment and raw materials needed by private factories, and also the whole or a part of other equipment and raw materials which are of secondary importance. Private firms should also have the privilege of working as agents for government trading enterprises.

In *India,* government participation in import trade is extensive, but is virtually non-existent so far as exports are concerned. Government has a monopoly of the import of food-grains and fertilizers, the object being not only to obtain adequate quantities of these commodities in short supply, but to ensure their internal distribution to consumers on a fair basis. India has been importing 2 to 4 million tons of food-grains every year since 1946. Governmental imports of steel were necessitated in 1947, owing to an unsatisfactory level of private imports caused by, *inter alia,* a world shortage and internal controls which required importers to distribute steel to *bona fide* consumers at fixed prices. The present system is a combined governmental/private import system under which both government and private enterprise import steel; the steel is pooled and distributed to consumers at a price higher than the domestic price but lower than the external price. According to official data the use of diplomatic channels has enabled India to obtain supplies of steel which private importers would probably not have been able to secure. The Government was importing the bulk of non-ferrous metals, valued at an annual average of Rs. 200 million, but gave this up because the arrangements to ensure their distribution to small consumers all over the country proved inadequate. Imports of raw cotton from East Africa are handled by government in collaboration with the United Kingdom Government, which imports East African cotton in bulk. Practically the only participation of government in export trade is in the handling of coal exports to Pakistan. The Government, however, tries to appropriate abnormal profits on exports by means of duties on selected exports such as raw cotton, jute manufactures and tea. In 1950 the Government of India appointed a committee to inquire into state trading, and the Committee recommended the establishment of an Indian Commercial Corporation for handling the trading activities of the Government.[23] The existing arrangements for carrying on the trading activities of the Government, the Committee reported, had not worked satisfactorily for several reasons, including the inexperience of government officials in handling commercial transactions.

In *Indonesia,* immediately after the Second World War, government participation in both import and export trade was considerable. All import trade was handled by the Netherlands Indies Government Import and Export Control Organization (NIGIEO). However, this agency gradually turned over trade in a number of commodities to commercial channels and was liquidated in October 1947. Following this, import trade was regulated by the Government through the Netherlands Indies Association of Importers and Wholesalers (NIWIA), an organization of importers and wholesalers among whom import licences and quotas were allocated. With effect from 1949, this system was discontinued and trade was restored more or less completely to normal commercial channels. Export of mineral ores, cinchona, and rubber are state monopolies aimed at preventing smuggling and conserving foreign-exchange reserves.

Government participation in foreign trade in the *Federation of Malaya, Singapore,* and the *British Borneo territories* is limited. Bulk sale arrangements for oils and oilseeds and tin have involved government participation by the importing government, i.e., the United Kingdom. But they do not involve trading by the Malayan governments. In import trade, government has at various times imported commodities such as rice, flour, sugar and butter. In the internal rationing and distribution of these commodities, normal commercial channels are fully employed.

In *Pakistan,* state trading is limited. According to the Finance Minister's announcement in the budget, the Government has earmarked a sum of Rs. 180 million for the purchase of essential stores for stockpiling.

In the *Philippines,* the Philippine Relief and Trade Rehabilitation Administration (PRATRA), a government-capitalized agency, was participating in trading in various commodities and especially in the import of wheat and flour and certain other goods until it was merged with the Price Stabilization Corporation set up in October 1950. The Price Stabilization Corporation now handles all Philippine imports of wheat and flour under the International Wheat Agreement. In June 1950, price-control legislation was adopted, designed to institute internal controls on prices of commodities and to prevent profiteering. The Act authorizes the President, whenever any goods are in short supply, or whenever there is an uncontrolled inflation, to direct any appropriate government agency to import those commodities directly. This gives considerable scope for government participation in import trade. In export trade government participation has been negligible.

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[23] Government of India, *Report of the Committee on State Trading,* 1950.

In *Thailand,* government monopoly of the export of rice is the most significant form of state trading. The export of rice by government originated in the Formal Agreement for the Termination of the State of War between Thailand and certain British countries signed on 1 January 1946, under which Thailand was to deliver surplus rice up to 1.5 million tons. Subsequently a Combined Rice Commission was set up, consisting of representatives of the United States, the United Kingdom and Thailand and also India and China, for the purpose of supervising the export of surplus rice by Thailand. Later international allocation of Thailand's rice was made by the International Emergency Food Committee and the Food and Agriculture Organization. The government control on rice was introduced in Thailand with a view to carrying out government obligations under the above arrangements. The control concerns both internal and external movement of rice. Internal movement of rice to border districts is controlled in order to prevent smuggling. The main objects of the state monopoly are to ensure allocations to importing countries in accordance with contracts and to secure considerable revenues for the Government from the difference between the price paid to the producer and that charged to the importer. In respect of imports, government trading is negligible, being limited to a few essential commodities on government account.

As indicated in the foregoing paragraphs, government participation in rice trade is important both in the importing and exporting countries of the region. Burma has negotiated contracts for the sale of rice to Ceylon, India, the Federation of Malaya and Singapore, and Indonesia; Thailand to Ceylon, India, Indonesia and the Federation of Malaya and Singapore.

CHAPTER XII

International Trade and Payments

For the first time in post-war years, an export surplus for the region as a whole re-emerged in 1950. This marked a new phase of development in international trade after the war. Before the war, there was normally an export surplus. In the earlier post-war period, however, there had been a growing import surplus up to 1948. This post-war import surplus, only slightly reduced in 1949, exercised great pressure on the foreign-exchange reserves of countries in the region and various exchange and trade controls were reinstituted or tightened. A shortage of dollars was also felt by almost all countries in the region. The growing import surplus during the early post-war period was incurred at an increasing level of imports and exports. But trade levelled off in 1949, as extraordinary post-war demands had been largely satisfied, foreign-exchange reserves depleted, and import demands of the United States decreased owing to the economic recession in that country. This led to a tightening of import control in some countries and to devaluation in most countries in the region, led by the devaluation of sterling.

Toward the end of 1949, economic recovery started in the United States and revived the import demand for raw materials. The stock-piling programmes of some western countries and the outbreak of the Korean war further increased the demand for and prices of raw materials, especially rubber and tin. In the last quarter of 1950 the price of rubber in terms of dollars rose by about 200 per cent, compared with the pre-devaluation level. The great increase of prices and exports of raw materials in the second half of 1950, combined with the decline of imports mainly because of tight import control in the first half-year, resulted in an export surplus for the ECAFE region (excluding British Borneo, China, Korea and Nepal), of $847 million, as compared with an import surplus of $800 million in 1949. The export surplus occurred chiefly in the second half-year, which accounted for 83 per cent of the year's total export surplus. The export surpluses of Malaya and Indonesia alone accounted for 79 per cent of the region's overall export surplus for the year. All other countries in the region except Indochina also had export surpluses in the second half of 1950, whereas only three countries had such a surplus in 1949. This resulted in increased foreign-exchange reserves for many countries.

The sharp rise in export prices and the lag in import prices also resulted in improved terms of trade. However, should the impact of the rearmament programmes be so severe as to curtail the supply of imported manufactured goods, these countries would again be confronted with problems similar to those that arose during and for some time after the last war. With a continued high level of exports and in the absence of adequate imports, domestic inflationary pressure would tend to increase and development programmes would be impeded.

Growing Import Surplus and Slow Recovery of Exports in Early Post-war Period

Over-all View of the Region

In 1938 exports of the countries of the region, excluding British Borneo, China, Korea and Nepal,[1] were 16 per cent larger than imports, giving rise to an export surplus of $332 million;[2] while in 1946 exports were 17 per cent below imports, giving rise to an import surplus of $430 million. The import surplus continued to grow till it reached $676 million in 1947 and $809 million in 1948, from which it was slightly reduced to $800 million in 1949. Exercising great pressure on foreign reserves,[3] these huge import surpluses caused great concern to almost all countries in the region, and various trade and exchange control measures, adopted in wartime and more or less relaxed immediately after the war, were reinstituted or tightened, although the dates when this was done and the severity of such controls varied from country to country.[4]

The import surplus of the sterling-area countries in the region, with respect to the United Kingdom and other sterling-area countries outside the region, was especially large in 1948 and 1949, and included the so-called "unrequited" imports financed by sterling balances accumulated during the war. In 1948, of the total import surplus of $473 million, $379 million, or about 80 per cent, was payable in sterling. In 1949, the sterling trade deficit was greater than the total trade deficit, the former being partly offset by a trade surplus with non-sterling countries. On the other hand, the four non-sterling area countries (Indochina, Indonesia, the Philippines and

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[1] Because data for these countries are either incomplete or unavailable for the years covered in this chapter. However, China will be dealt with in a later section.

[2] Except Hong Kong, Korea and the Philippines, which had small deficits, all countries in the region had an export surplus. The Philippines, however, had an export surplus before 1938.

[3] Sterling balances accumulated during wartime in Ceylon, India and Pakistan were blocked and therefore could not be freely utilized.

[4] See *supra,* chapter XI on "International Commercial and Financial Policies".

Table 74a. Exports, Imports and Balance of Trade of ECAFE Countries[a]

(In million dollars)

	Exports			*Imports*			*Balance of trade*		
	6 sterling-area countries	*4 non-sterling-area countries*	*Total*	*6 sterling-area countries*	*4 non-sterling-area countries*	*Total*	*6 sterling-area countries*	*4 non-sterling-area countries*	*Total*
1938	1,421	670	2,091	1,240	519	1,759	+181	+151	+332
1946	1,758	266	2,024	1,953	501	2,454	—195	—235	—430
1947	2,729	545	3,274	2,899	1,051	3,950	—170	—506	—676
1948	3,347	1,011	4,358	3,820	1,347	5,167	—473	—336	—809
1949	3,305	1,132	4,437	3,676	1,561	5,237	—371	—429	—800
1950	3,974	1,413	5,387	3,380	1,160	4,540	+594	+253	+847
Jan.-June	1,559	540	2,099	1,447	513	1,960	+112	+ 27	+139
July-Dec.	2,415	872	3,287	1,933	647	2,580	+482	+225	+707

Sources: See sources under table 74b.

[a] Including six sterling-area countries, namely Burma, Ceylon, Hong Kong, India, Pakistan and Malaya; four non-sterling area countries, namely Indochina, Indonesia, the Philippines and Thailand. Data are incomplete or unavailable for British Borneo, China, South Korea and Nepal.

Table 74b. Exports, Imports and Balance of Trade of ECAFE Countries and Japan[a]

(In million dollars)

	1938	1946	1947	1948	1949	1950	1950	
							Jan.-June	July-Dec.
Exports (f.o.b.)								
Sterling-area countries								
British Borneo	24	..	72	118	125	..	..	..
Burma	195[b]	20[e]	145[d]	229[d]	222[d]	155	75	80
Ceylon	104	230	268	306	293	328	135	193
Hong Kong[e]	185	201	318	404	564	657	253	404
India[f]	611	965	1,235	1,279	1,237	1,140	522	618
Pakistan[g h]			148	316	271	401	179	222
Malaya and Singapore	326	342	615	813	718	1,293	395	898
Total (excluding British Borneo)	1,421	1,758	2,729	3,347	3,305	3,974	1,559	2,415
Non-sterling-area countries								
China[i]	286[j]	148	216	104[k]	..	..	..	..
Indochina[l]	81	99	67	92	68	74	30	44
Indonesia[m]	383	58	131	393	539	724	250	474
Korea,[n] South	166[j o]	1	8	19	14	..	..	..
Philippines	116	64	265	318	254	332	142	190
Thailand[p]	90[b]	45	82	208	271	283	118	164
Total (excluding China and Korea)	670	266	545	1,011	1,132	1,413	540	872
Total ten ECAFE countries (excluding China, Korea and British Borneo)	2,091	2,024	3,274	4,358	4,437	5,387	2,099	3,287
Japan[q]	1,036[j]	103	174	258	510	820[r]	323[r]	497[r]
Total eleven AFE countries (excluding China, Korea and British Borneo)	3,127	2,127	3,448	4,616	4,947	6,207	2,422	3,784
Imports (c.i.f.)								
Sterling-area countries								
British Borneo	18	..	53	75	78	..		
Burma	78[b]	59[e]	143[d]	180[d]	113[d]	112	41	71
Ceylon[s]	86	210	290	301	289	245	119	126
Hong Kong[e]	188	236	392	523	666	666	293	373

Table 74b. (continued)

	1938	1946	1947	1948	1949	1950	1950 Jan.-June	1950 July-Dec.
India[f]	572	1,071	1,383	1,643	1,475	1,061	495	566
Pakistan[g]			42	331	337	350	136	214
Malaya and Singapore[t]	315	377	649	842	796	946	363	583
Total (excluding British Borneo)	1,240	1,953	2,899	3,820	3,676	3,380	1,447	1,933
Non-sterling-area countries								
China[i]	282[j]	561	451	140[k]	..	..	..	..
Indochina[l]	57	44	138	193	236	211	84	127
Indonesia[m]	272	106	304	429	551	403	148	255
Korea, South[n]	222[j] [u]	51	197	206	139	..	..	..
Philippines[v]	132	294	509	586	569	356	190	166
Thailand[q]	58[b]	57	100	139	205	190	91	99
Total (excluding China and Korea)	519	501	1,051	1,347	1,561	1,160	513	647
Total ten ECAFE countries (excluding British Borneo, China and Korea)	1,759	2,454	3,950	5,167	5,237	4,540	1,960	2,580
Japan[q]	1,051[j]	305	524	683	906	945[r]	484[r]	461[r]
Total eleven AFE countries (excluding British Borneo, China and Korea)	2,810	2,759	4,474	5,850	6,143	5,485	2,444	3,041
Balance of trade								
Sterling-area countries								
British Borneo	+ 6	..	+ 19	+ 43	+ 47	..	..	..
Burma	+116	— 39	+ 2	+ 49	+109	+ 43	+ 34	+ 9
Ceylon	+ 18	+ 20	— 22	+ 5	+ 4	+ 83	+ 16	+ 67
Hong Kong	— 3	— 35	— 74	—113	—102	— 9	— 40	+ 31
India	+ 39	—106	—148	—364	—238	+ 79	+ 27	+ 52
Pakistan			+106	— 15	— 66	+ 51	+ 43	+ 8
Malaya and Singapore	+ 11	— 35	— 34	— 29	— 78	+347	+ 32	+315
Total (excluding British Borneo)	+181	—195	—170	—473	—371	+594	+112	+482
Non-sterling-area countries								
China	+ 4	—413	—235	— 36	..	..	..	..
Indochina	+ 24	+ 55	— 71	—101	—166	—137	— 54	— 83
Indonesia	+111	— 48	—173	— 36	— 12	+321	+102	+219

Table 74b. *(continued)*

	1938	*1946*	*1947*	*1948*	*1949*	*1950*	*1950*	
							Jan.-June	*July-Dec.*
Korea, South	— 56	— 50	—189	—187	—125	..		
Philippines	— 16	—230	—244	—268	—315	— 24	— 48	+ 24
Thailand	+ 32	— 12	— 18	+ 69	+ 66	+ 93	+ 27	+ 65
Total (excluding China and Korea)	+151	—235	—506	—336	—429	+253	+ 27	+225
Total ten ECAFE countries (excluding British Borneo, China and Korea)	+332	—430	—676	—809	—800	+847	+139	+707
Japan	— 15	—202	—350	—425	—396	—125	—161	+ 36
Total eleven AFE countries (excluding British Borneo, China and Korea)	+317	—632	—1,026	—1,234	—1,196	+722	— 22	+743

Sources: United Nations, *Statistical Yearbook*, 1949/50. For 1950 data are supplied by the Statistical Office of the United Nations.

[a] Special trade for China, Indochina and Indonesia; general trade for all other countries.

[b] For 1938, year beginning 1 April.

[c] February-September.

[d] Years ending 30 September.

[e] Excluding government trade.

[f] Years beginning 1 April for 1938-1949. Sea and air-borne trade only. Land-borne imports from Pakistan: 1948, 257; 1949, 83; exports: 1948, 92; 1949, 66. Excluding Pakistan from August 1947 and trade with Pakistan before March 1948. 1948/1949: change in territory.

[g] Excluding government and overland trade; trade with India to March 1948. 1947: 15 August — 31 March 1948. 1948/1949: years beginning 1 April. Excluding silver.

[h] Excluding parcel post and ship stores and bankers.

[i] 1946 to 1948: including parts of North-east China (Manchuria) and Taiwan.

[j] 1936.

[k] Seven months only.

[l] 1946-1949: excluding silver.

[m] Including export duties. 1946-1948: areas under Netherlands control. 1949: Federal area.

[n] Including government trade and relief imports. Including trade with Japan and Taiwan.

[p] For 1946 to 1948 data are from International Monetary Fund, *Balance of Payments Yearbook* and for 1949 and 1950 data are supplied by the Government. Data have been adjusted to take into account the multiple exchange rates.

[q] Including trade with Taiwan and Korea. 1936: special trade. 1945-49: including relief and army surplus but excluding silver. 1946 refers to September 1945 to December 1946.

[r] United Nations, *Monthly Bulletin of Statistics.*

[s] Imports for 1946 and 1947 exclude allied army contributions.

[t] Excluding parcel post.

[u] Including North Korea.

[v] Imports f.o.b.

Table 74c. Exports as Percentages of Imports of ECAFE Countries and Japan

	1938	1946	1947	1948	1949	1950	1950	
							Jan.-June	*July-Dec.*
Sterling-area countries:								
Burma	250	34	101	127	196	138	183	113
Ceylon	121	110	92	102	101	133	113	153
Hong Kong	98	85	81	77	85	99	86	108
India	107	90	89	78	84	106	105	109
Pakistan			352	95	80	115	132	104
Malaya	103	91	95	97	90	137	109	154
Total	115	90	94	88	90	118	108	125
Non-sterling-area countries:								
China	101	26	48	74	..	..	..	..
Indochina	142	23	49	48	29	35	36	35
Indonesia	141	55	43	92	98	180	169	186
Korea, South	75	2	4	9	10			
Philippines	88	22	52	54	45	93	75	114
Thailand	155	80	82	150	132	149	130	166
Total[a]	129	53	52	75	73	122	105	135
Total of ten ECAFE countries[a]	119	82	83	84	86	119	107	127
Japan	99	34	33	38	56	87	67	108
Total of eleven AFE countries[a]	111	77	77	79	81	113	99	124

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[a] Excluding China and Korea.

Thailand) had a relatively small trade deficit with the United Kingdom an other sterling-area countries outside the region, amounting to slightly les than 8 per cent of their total trade deficit during 1948 and 1949. Thei trade deficit with the dollar area, chiefly the United States and Canada, wa especially large during 1946 and 1947, amounting respectively to $40 million and $523 million, and exceeded the total trade deficit. Althoug reduced by about one-half in 1948, it rose again to $345 million in 194 This constituted a part of the world-wide dollar shortage before the de valuation of sterling and allied currencies in September 1949.[5] On the othe hand, the six sterling-area countries in the region had a relatively sma trade deficit with the United States and Canada. It was only $11 millio and $25 million respectively in 1947 and 1949, and in 1946 and 1948 ther were even small dollar trade surpluses. However, this does not mean tha the dollar shortage was not felt by these countries. As members of th sterling area, they had to contribute their dollar earnings to and obtai dollar allocations from the sterling-area dollar pool. Because of the dolla deficit of the sterling area as a whole, some sterling-area countries in th region, especially Malaya and to a lesser degree Ceylon, which made net contribution to the dollar pool, had also to restrict their dollar expend ture. Thus their dollar-shortage problem was created mainly by the dolla shortage problem of the whole sterling area. India, however, had an acut dollar-shortage problem of its own (see tables 74a, 74b and 74c).

As shown in table 74c, while exports in the region were 19 per cent abo imports in 1938, they were 18 per cent below in 1946 and remained about the same relative position up to 1948, with a slight improvement 1949. Quantum and unit value indices of imports and exports are availab for only a few countries, and it is impossible to derive a quantum and un value index of trade for the region as a whole. Without them it is difficu to ascertain how far this result could be attributed to changes in physic volume and how far to changes in the prices of exports and imports.[6] Hov ever, as the exports of the region are concentrated on a few items, such rice, fats, oils and oilseeds, tea, cotton, jute, rubber and tin, the region low level of exports in physical volume can be seen from the quantity indic of exports of these commodities. Table 75 shows that except for rubb and tea after 1948, the principal exports all remained low through t post-war years. In 1949, the export of cotton was only 36 per cent of t pre-war figure; rice, fats, oils and oilseeds, jute and tin metal were fro 43 to 55 per cent, and tin concentrates 87 per cent. Changes in the shar of the region's trade in the world also give some indication of the low lev of exports. The share of the region's exports in the world total, 13 per ce in 1937, was reduced to 7.7 per cent in 1947, and rose only to 9.6 per ce in 1949. On the other hand, the share of the region's imports in the wor tal, 9.3 per cent in 1937, fell only slightly to 9.1 in 1947, and rose to) per cent in 1948 and 11 per cent in 1949.[7]

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[5] For measures to relieve dollar shortage, see *Economic Survey of Asia and the F East, 1949,* chapter X on "Balance of Payments and Dollar Shortage," pp. 246 *ff*.

[6] The unevenness of changes in trade among countries will be dealt with in next section.

The principal factors which rendered a post-war decline in exports pos- ble without a corresponding fall in imports[8] were: (1) reduced importance foreign indebtedness and of foreign investment yields and (2) ability to raw on "sterling balances" and United States aid to countries like China, outh Korea, the Philippines and Japan. The low level of exports was ccounted for by the slow recovery of production and transport, owing ainly to wartime destruction, the deterioration of productive capacity and ost-war civil strife and political instability in many countries.[9] The low roduction of food, coupled with the increase of population, required a rge import of foodstuffs. According to a study of the International Mone- ry Fund,[10] the region's exports of foodstuffs declined from 29 per cent of tal exports in 1937 to 22 per cent in 1948, while imports rose from 16 per ent to 23 per cent during the same period. The large import was also used by an extraordinary demand for machinery and transport equip- ent for post-war rehabilitation and to satisfy the pent-up demand for nsumers' goods in the immediate post-war years. Finally, inflation with changed rates of exchange resulted in currency over-valuation in relation the dollar or even the pound sterling and the franc, which tended to pede exports and stimulate imports.

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[7] Total value of trade for the world and the ECAFE region is shown below: n million dollars)

Imports	*1937*	*1947*	*1948*	*1949*
ECAFE region (A)........	2,513	4,651	5,931	6,468
World total (B)...........	27,100	51,200	59,600	59,500
Percentage of (A) in (B)...	9.3	9.1	10.0	10.9
Exports				
ECAFE region (A)........	3,161	3,658	5,063	5,271
World total (B)...........	24,100	47,800	53,900	54,900
Percentage of (A) in (B)...	13.1	7.7	9.4	9.6

The above figures are derived from statistics published in Statistical Office of the nited States, *Summary of World Trade Statistics,* second quarter 1950. For the orld total, Bulgaria, China, Hungary, Romania, USSR and Eastern Germany were cluded. The total of the ECAFE region was obtained by deducting Iran, Iraq, Israel, ria-Lebanon, and Japan from the Asia total. China was also not shown in the source.

[8] The terms of trade, as derived from the unit value index of imports and exports ailable for a few countries, were unfavourable in the raw-material-exporting countries, ch as Malaya, the Philippines and Ceylon, before 1949 as compared with 1938, while one of the rice-exporting countries, Burma, they were favourable. In India, the terms trade were favourable in post-war compared with pre-war years. No generalization out the change of the region's over-all terms of trade and its effects on the total lue of imports and exports can be made, because of the incomplete statistics on unit lue index of imports and exports. See *infra,* table 90a.

[9] See *supra,* chapters VIII on "Food and Agriculture", IX on "Mining and Industry" d X on "Transport".

[10] *Intra-regional Trade of the ECAFE Countries,* 5 October 1949.

Table 75. Index of Exports in Quantity[a]
(Pre-war = 100[b])

Year	*Rice*	*Fats, oils and oilseeds*	*Tea*	*Cotton*[c]	*Jute*[c]	*Natural rubber*	*Tin concentrates*	*Tin meta*
1946	17		75					
1947	22	47	93			104		
1948	38	48	91	32	63	125	87	48
1949	43	49	113	36	54	123	87	55
1950	49	..	..	..	89	151	94	80

Sources: Economic Survey of Asia and the Far East, 1949 and *infra*, chapter XII on "Trade in Principal Commodities".

[a] Countries included for the different commodities are as follows:

Rice: Burma, Indochina and Thailand.

Fats, oils and oilseeds: Ceylon, China, Indonesia, India, Malaya and Singapor (net exports) and the Philippines.

Tea: Ceylon, China, India, Indonesia, and Pakistan.

Raw cotton: China, India and Pakistan and others (excluding Japan).

Jute: India and Pakistan.

Tin concentrates: Burma, Indochina, Indonesia and Thailand.

Tin metal: China and Malaya.

Rubber: British Borneo, Burma, Ceylon, Indochina, Indonesia, Malaya (net exports) Thailand and "other Asia".

[b] 1934-38 for rice, tea, raw cotton, jute; 1936-38 for oilseeds, oils and fats; 1937 fo natural rubber, tin concentrates and tin metal.

[c] Crop year.

Unevenness of Trade Recovery in Different Countries

The over-all picture of the region has obscured the unevenness of change in trade among various countries. Among all ECAFE countries, the pos tion of Ceylon, Malaya and Thailand was comparatively more favourabl The post-war volume of imports and exports of Ceylon and Malaya, shown by the quantum index in table 90b, has been above the pre-wa volume since 1947.[11] From 1946 to 1949 the balance of trade was favourab for Ceylon (except for a small deficit in 1947) and was unfavourable fo Malaya only to a relatively small extent, seeing that exports paid for 90 97 per cent of imports during this period. The relatively small unfavourab balance of trade was partly accounted for by the unfavourable terms trade compared with pre-war years. The balance of trade of both countri with the United States and Canada had been substantially favourabl except for Ceylon's in 1947. Malaya alone contributed about $135 millio yearly from its dollar trade balance to the sterling area during 1946-194 as compared with $95 million in 1938. Had they not been members of t sterling area, it might not have been necessary for them to adopt trade a exchange controls to such a degree as they did.

When the region's over-all import surplus reached the post-war peak 1948, Thailand had already turned its import surplus into an export surpl which was of about the same magnitude as in 1938, allowing for the increase of prices. Furthermore, the export surplus was achieved at a rather high level of imports and exports. Allowing for a price increase of about 100 per cent in terms of dollars, both imports and exports in real terms[12] exceeded the pre-war level. The relatively rapid recovery of trade in Thailand was mainly attributed to its internal stability, the rapid recovery of production, especially of rice, and the strong demand for and high price of rice. The relaxation of trade and exchange controls and the fairly stable price level and exchange rate in the free market after 1947 also contributed to the successful recovery of trade and the favourable balance of trade since 1948.

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[11] Except the volume of imports into Ceylon in 1946, which stood at 89 per cent that in 1938.

The export level of the other two rice-exporting countries, Burma and Indochina, was very low after the end of the war. From 1947 the quantum index of exports did not exceed 40 per cent of pre-war in either country. In Burma the quantum index of imports was also low. The sizable favourable balance of trade in 1948 and 1949 was achieved only under strict import control and at a very low level of trade. The quantum index of imports of Indochina rose considerably from 1947 onward and in 1948 it already exceeded the pre-war level. Exports paid for only about one-half of imports n 1947 and 1948 and even less than one-half in 1946 and 1949. This resulted in a large unfavourable balance of trade which was financed mainly by France. As stated in the earlier issues of the *Survey*, the low level of exports of these two countries was chiefly accounted for by the low level of production and inadequate transport for moving goods, especially rice, from producing centres to ports. At the same time inflation resulted in currency over-valuation which impeded exports and made it necessary to impose mport control.

Indonesia and the Philippines, two other raw-material-producing and exporting countries, also experienced a slow recovery in exports. In Indonesia exports paid for only 55 and 43 per cent of imports respectively n 1946 and 1947 and the largest import surplus was incurred in 1947. It was only after 1948 that exports rose considerably, and they were almost equal to imports in 1949. In the Philippines, exports paid for only 22 per cent of imports in 1946 and about 45-52 per cent from 1947 to 1949. Political instability in Indonesia and war damage in the Philippines reduced considerably the export capacity of these two countries. Inflation and cur-ency over-valuation added further difficulties to the maintenance of a balance in trade. In Indonesia part of the import surplus was financed by he Netherlands. In the Philippines, the large and growing import surplus, which rose from $230 million in 1946 to $315 million in 1949, was largely nanced by the United States compensation and other payments. Import nd exchange controls were not important for the Philippines before 1949.

The quantum index shows that India's exports after partition were only bout 66 per cent of the pre-war figure. Partition reduced India's export apacity in the two major exports, jute and cotton. The index in 1948 dropped to 58 per cent of the pre-war level. On the other hand, the volume of imports by 1947 had already reached 94 per cent of the pre-war level. The largest import surplus, viz., $364 million, was incurred in 1948, and the dollar trade deficit was about $100 million yearly from 1947 to 1949. In contrast to Ceylon and Malaya, India felt acutely the shortage of dollars. The unfavourable balance of trade was partly accounted for by the large imports of foodstuffs. Furthermore, inflation and currency over-valuation hampered exports and stimulated imports. In order to maintain a balance in trade, India also exercised strict import control, which was occasionally relaxed in order to suppress inflation. Pakistan's trade situation was fairly comfortable before the devaluation of sterling in September 1949. After that its trade with India became very unstable.

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[12] Quantum index of trade is not available.

The changes in trade in Hong Kong more or less reflected those in other countries closely related to it, especially China, as Hong Kong is essentially an *entrepôt*. Its import surplus was especially large in 1948 and 1949.[13]

CURRENCY DEVALUATION AND CHANGES IN INTERNATIONAL TRADE

Factors Leading to Devaluation[14]

In mid-1949 exports from the region encountered further difficulties, arising from the recession in the United States which reduced the country's demand for imports. This greatly affected the volume and prices of raw material exports from the region and tended to enhance the dollar shortage. The heavy crops in the United States during late 1948 and early 1949 also exercised a depressing effect on exports of seeds and oils from the region. Thus the long existing problem of currency over-valuation became more acute than before.

In table 76 a *rough* indication is given of the discrepancy in the price movements between the United States and seven ECAFE countries for the eight-month period preceding devaluation (average for January to August 1949). In Ceylon the rise in the general level of prices during the period was 50 to 60 per cent, in India and Malaya 75 to 95 per cent, and in Burma 200 per cent higher than the corresponding rise in the United States. In Malaya, although the cost-of-living index was 90 per cent higher, the export price index was 7 per cent, and the export price index of raw materials 24 per cent, lower than in the United States. The low level of export prices of raw materials during January to August 1949 in Malaya was mainly a result of the American recession. The discrepancy between the cost of living and the export price indices indicated a dislocation of the cost-price structure in Malaya. A higher cost of living with a lower income from exports placed the raw-material producers in a very difficult position.

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[13] See "Devaluation, price movements and changes in external trade in ECAFE countries", *Economic Bulletin for Asia and the Far East*, Vol. 1, No. 2.

[14] All the sterling-area countries of the region except Pakistan, viz., Burma, Ceylon, Hong Kong, India, Malaya, North Borneo, Brunei and Sarawak, devalued their currencies to the same extent as sterling had been devalued in relation to the dollar i.e., by 30.5 per cent. Other countries in the region which had a traditional link with European countries, viz., Indochina with France and Indonesia with the Netherlands also devalued their currencies to the same extent as the French franc and the Netherlands guilder respectively. After devaluation, the Paris free-market rate — 350 francs to 1 dollar — was made effective as the new uniform official rate, which was about 38 per cent below the previous official rate and about 22 per cent below the average of the previous official and market rate. As the Indochinese piastre still maintained its old parity of 17 francs to 1 piastre, it was automatically devalued to the same extent as the French franc. In Indonesia, the official exchange value of the rupiah remained on a par with the Netherlands guilder, which was devalued by 30.2 per cen in relation to the dollar. The official value of the baht in Thailand, which has no definit link with any other currency, was lowered in relation to the dollar by 20 per cent, bu appreciated with reference to sterling by 14.3 per cent.

On the other hand, the exchange rates of these four sterling-area countries in the ECAFE region in relation to the United States sustained no substantial change during the decade before the devaluation in 1949. After the depreciation of the sterling-area currencies in the region by some one-fifth during the years 1937-1939, their dollar rates had been more or less maintained on a stable level until September 1949. The stable exchange rates, together with the increased discrepancy between the price levels of the sterling-area countries of the region and those of the United States and other hard-currency countries, encouraged imports into and discouraged exports from these ECAFE countries. The trade balances of these countries were thus adversely affected in spite of import restrictions. As a measure of alleviation, the devaluation initiated by the United Kingdom in September 1949 was followed by them.

Wholesale price and export price indices are not available for Hong Kong, and the cost-of-living index is not a very appropriate indicator to show currency over-valuation or under-valuation for an *entrepôt* like Hong Kong, which has a small population in relation to the volume of its international trade, most items of which are not covered by the cost-of-living index. However, as Hong Kong is a free port with very limited trade and exchange controls before 1950,[15] the discrepancy between the open-market rate and the official rate of the Hong Kong dollar may indicate the degree of its over-valuation in terms of the official rate. From April to September 1949, the average open market rate was about $HK6 to $US1, which was about 40 per cent lower than the official rate. Immediately after the devaluation, the two rates came very close together, with the open-market rate a little above the official rate.

In Indochina, the rise in the level of wholesale prices was over 300 per cent greater than the corresponding rise in the United States, and in Indonesia it was over 200 per cent higher. In the meantime, the official dollar exchange rates changed to a much less extent than the discrepancy between the price levels of these two countries and that of the USA. The

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[15] In 1950 the United States embargoed certain exports to Hong Kong and Hong Kong also embargoed certain exports to China.

Table 76. General Price Indices in Seven ECAFE Countries in Terms of Corresponding Price Index in the United States[a]

Country	Type of price index	Base period	*Average for January-August 1949* *Price index* *(1)*	*Average for January-August 1949* *As percentage of corresponding index of U.S.A.* *(2)*
Burma	Cost of living	1937	502	304
Ceylon	Cost of living	Nov. 1938-April 1939	257	152
	Export prices	1934-38	313	161
India	Wholesale prices	1937	353	195
	General	July 1938-Aug. 1939	377	186
	Raw materials	Ditto	459	195
	Manufactured goods	Ditto	342	179
	Export prices	1937	380	195
Indochina	Wholesale prices			
	General	Jan.-June 1939	881	434
	Raw materials	Ditto	2,120	902
	Export prices	1939	1,344	572
Indonesia	Export prices	1938	496	218
Malaya	Cost of living	1939	317[b]	190
	Export prices			
	General	1938	214[c]	93
	Raw materials	1938	173[c]	76
Thailand	Wholesale prices	1938	1,557	778

Sources: Price indices of the United States are from the International Monetary Fund, *International Financial Statistics;* price indices of ECAFE countries are from national sources.

[a] Price indices of the seven countries in January-August 1949 as percentages o corresponding price index in the same period in the United States with same bas period. In computing column (2), the export price indices in column (1) have bee divided by the US wholesale price index of raw materials, as the main export good of ECAFE countries are raw materials. Whenever there is no corresponding perio index for the United States, the index of the nearest period is taken.

[b] 1938.

[c] January-September 1949.

fall in the exchange value of the currency on the black market in thes two countries and the continued existence of smuggling in Indonesia and c an adverse balance of trade in Indochina, indicated over-valuation of thei currencies.

In Thailand, although its currency was over-valued at the official rat the free market rate was about at par. Thailand has a multiple exchang system. The official rate is restricted to a few items of imports and export All other transactions are conducted at the free-market rate, which maintained mainly by the Bank of Thailand's sale in the open market, fairly stable rates, of exchange derived from export of designated con modities at the official rate of exchange. The trade balance has been favou able since 1948 and the price level and the open-market rate of exchange have been kept stable and in step with each other. The pre-war value of the baht was about $0.40, which, on the basis of the market rate of exchange was more than eight times its value in January to August 1949. The rise in prices during the same period was about eight times greater than in the United States. This rough calculation indicates that, in the free market, the baht was not over-valued.

The effect on trade of the discrepancy between their price levels and that of the United States was not of the same degree in all the ECAFE countries which devalued. The United States had a sizable share in both the imports and the exports of India and Indonesia. The share of exports going to the United States was also important in Ceylon, Malaya and Thailand. United States trade with Burma, however, was insignificant, as was also the share of exports going to the United States from Indochina. On the other hand, a larger part of both the import and the export trade of the sterling-area countries in the region was with the sterling area, especially the United Kingdom. Similarly, a larger part of Indochina's trade was with France and of Indonesia's trade with the Netherlands. The devaluation of sterling, the franc and the Netherlands guilder was, therefore, another important reason for devaluation in these countries, for if their major trade partners had devalued their currencies and they had not, their price relations with them would have been dislocated and exchange equilibrium would have been more disturbed. By devaluing their currencies these countries could, on the one hand, adjust their price relations with the United States, and on the other avoid the creation of more international disequilibrium with countries which had devalued. An exception was Pakistan which, though a very large share of its trade was with the United Kingdom and India, did not devalue its currency. Another exception was the Philippines which, though having the major portion of its trade with the United States and showing signs of over-valuation, did not devalue its peso, because of an agreement with the United States.

Changes in Import and Export Prices and International Trade after Devaluation

It is difficult to ascertain the effects of currency devaluation on trade, as there were also other factors working at the same time. In general, the effects of devaluation on trade are worked out through changes in import and export prices. However, price changes are not the only consideration. The United States demand for raw materials was largely determined by the expectation of the level of industrial production. Toward the end of 1949, economic recession was over and recovery started. This resulted in increased imports nto the United States, especially of raw materials. The stock-piling programme of countries outside the region and the outbreak of the Korean war in June 1950 also over-shadowed the effects of devaluation. Since then the great increase in the purchase of raw materials has become a dominant factor in influencing exports from the region. On the other hand, import control imposed quantitative restrictions or monetary ceilings on imports without direct reference to price changes. Furthermore, devaluation, while stimulating exports, may not reduce imports, because of a "suppressed" import demand during the post-war years. The growing adverse balance of trade before 1949 exhausted much of the foreign-exchange reserve of almost all countries in the region. The shortage of foreign exchange checked the import of goods which would otherwise have been purchased at prevailing prices. So if exports from countries which devalued their currencies increased, for whatever reason, and brought in more foreign exchange, especially dollars, the imports of these countries also tended to increase.

With these qualifications in mind, changes in import and export prices and trade will be briefly surveyed. For convenience of analysis the countries of the ECAFE region may be divided into three groups: (1) India, which has greater manufacturing facilities than other countries and exports both raw materials and manufactured goods; (2) Ceylon, Malaya and Indonesia, all of which are raw-material-producing and exporting countries; and (3) Burma, Indochina and Thailand, which are the chief rice-exporting countries. Other countries, for which there is little information, will be referred to only occasionally.

India

In India, from early 1947 up to the time of devaluation there had generally been an adverse balance of trade. This was especially large during 194 and 1949, chiefly because of a great increase in imports. After devaluation exports showed a substantial increase while imports were reduced, wit the result that the total trade balance as well as that with the hard-currenc and sterling areas became favourable from November 1949 to March 195 In the second and third quarters of 1950, however, there was again a adverse balance of trade and in the fourth quarter, a favourable balance o trade again appeared (see table 77). To what extent these changes wer due to devaluation calls for careful examination.

On the import side, import prices (as shown by the index of unit valu of imports in local currency) rose by 13 per cent in the fourth quarter 1949 immediately following the devaluation, remained at about 10 per cen higher than the pre-devaluation level up to the third quarter, and were 1 per cent higher in the fourth quarter of 1950. This was associated with reduction in the physical volume of imports, which varied from 8 to 32 pe cent in the five quarters that followed devaluation. Furthermore, whil imports from the sterling area were reduced by 16 per cent in the fir quarter after devaluation, hard-currency area imports were reduced 23 per cent. These changes resulted in a lower total value of imports compared with the quarter before the devaluation, and seemed to show that th

Table 77. India: Quarterly Indices of Unit Value, Quantum and Total Value of Imports and Exports

(Base: third quarter, 1949 = 100)

	Index of unit value[a]		*Quantum index*		*Index of total value*[a]		*Exports as percentage of imports*
949	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*	*Exports*	
I	112	99	108	106	116	102	61
II	102	101	118	92	120	93	54
III	100	100	100	100	100	100	69
IV	113	105	83	131	94	139	102
950							
I	111	108	60	135	68	146	148
II	110	112	83	86	92	98	73
III	109	110	92	113	99	125	87
IV	115	112	74	147	85	166	134

Sources: Compiled from national trade statistics.
[a] In national currency.

ffects of devaluation had worked themselves out. However, the very low uantum imports during the first quarter of 1950 can hardly be explained y changes in import prices, because the index of import prices in that uarter was also lower than in the preceding quarter. Moreover, in the ame quarter while imports from the sterling area were 25 per cent lower han in the quarter before devaluation, hard-currency area imports were 5 per cent higher (see table 78).

Such changes could not be explained solely by devaluation. Other factors, specially import control, also played a role. After the Conference of ommonwealth Ministers, the countries of the sterling area agreed to estrict imports from the dollar area to 75 per cent of the total import value 1948 or 1948/49. India, which by then had a very large import surplus, ad in May 1949 cancelled permission to import from sterling and soft-urrency areas without licence and restricted the use of open general cence, and finally replaced the system of such licence by an even more nited system permitting only capital goods and essential raw materials to imported without licence. Severe restrictions were placed upon imports goods from the United States.[16]

In addition to the more restrictive import control which coincided with evaluation, the time lag in the examination and issue of import licences elped to limit imports between November 1949 and March 1950. Since the plications that were sent to the control authorities for examination were ry numerous and delays occurred in dealing with them, actual imports ere lower than would otherwise have been the case. The congestion was medied after April 1950, and imports began to rise and exceed exports, us converting the favourable balance of trade to an unfavourable one.

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[16] For a further account, see *Economic Survey of Asia and the Far East, 1949,* p. 284.

Table 78. India: Value of Imports and Exports by Currency Areas

(In million rupees)

	Exports				Imports				Balance			
	All areas	*Sterling area*	*Hard-currency areas*	*Other areas*	*All areas*	*Sterling area*	*Hard-currency areas*	*Other areas*	*All areas*	*Sterling area*	*Hard-currency areas*	*Other areas*
1949												
I.........	905	470	268	167	1,879	919	536	425	—974	—449	—268	—258
II.........	941	515	234	190	1,752	811	470	471	—811	—303	—236	—281
III.........	1,009	575	267	167	1,350	722	342	286	—341	—147	— 75	—119
IV.........	1,338	722	433	182	1,042	610	266	166	+296	+112	+167	+ 16
1950												
I.........	1,290	657	453	180	1,157	542	398	217	+133	+115	+ 55	— 37
II[a]........	1,100	..	..	..	1,350	..	..	..	—250	..	..	..

Source: Reserve Bank of India Bulletin, August, 1950.

[a] Estimated.

During the period of a favourable balance of trade, the Government announced its new policy of import control for January-June 1950.[17] Import controls were again relaxed in order to meet essential needs for machinery, raw materials and consumer goods, so far as this could be done within the limits of a balanced foreign-exchange budget. More liberal arrangements were made for imports of raw materials from soft-currency areas, and licences were to be granted for the import of raw cotton and unmanufactured tobacco from dollar areas. Import control policy in the second half of 1950 did not differ greatly from that which was applied in the first half, except that imports from soft-currency areas received more liberal treatment. The physical volume of imports thus rose further in the third quarter by 10 per cent and the total value of imports almost reached again the level in the quarter before devaluation. The fourth quarter was marked by an increase in import prices of 6 per cent, associated with a reduction of the physical volume of imports by about 18 per cent and of the total value of imports by about 14 per cent. This, however, may be explained by the rise in prices in other countries after the outbreak of war in Korea.

On the export side the effects of devaluation were more obvious than on the import side. In the first two quarters after devaluation, export prices rose less than import prices, being only 5 and 8 per cent higher than in the third quarter of 1949, and in terms of the dollar were considerably lower than the pre-devaluation level. Associated with this were an increase in the volume of exports by 31 and 35 per cent and an increase in the total value of exports in rupees by 39 and 46 per cent. Furthermore, while the total value of exports to the sterling area was 25 per cent higher in the fourth quarter of 1949 and 14 per cent higher in the first quarter of 1950 than in the third quarter of 1949, the total value of exports to the dollar area was 62 per cent and 70 per cent higher respectively.

Export prices had since risen to about 10 to 12 per cent higher than in the third quarter of 1949, and except for some abnormal changes in the second quarter of 1950, both total value and quantum of export were above the level before devaluation. This contributed a great deal to the emergence of an export surplus in the last quarter of 1949 and the first and fourth quarters of 1950.

A comparison of the year preceding and the year following devaluation shows an increase of total exports, the rate of which was greater to hard-currency areas than to other areas (see table 79).

As might be expected, the effects of devaluation have been more pronounced in respect to exports to hard-currency countries, which increased by 45 per cent in terms of rupees in the year following devaluation. However, India's exports to hard-currency countries, in terms of dollars, have been maintained at the level pre-devaluation level. The principal reason for the absence of an improvement in dollar earnings is the fact that owing to

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[17] The announcement was made late because of the uncertainties in trade after devaluation.

Table 79. India: Total Value of Exports for the Year Preceding and Following Devaluation
(In million rupees)

	To hard-currency areas	*To other-currency areas*	*Total export*
1949/50 (October to September)	1,393	3,633	5,026
1948/49 (October to September)	964	2,982	3,945
Percentage of increase in 1949/50 over 1948/49...	44.5	21.8	27.4

Source: Data supplied by the Government of India.

shortage of raw jute arising from the trade deadlock with Pakistan following the non-devaluation of the Pakistant rupee, exports of jute goods and of raw jute have been lower than before. In regard to other-currency areas the increase in terms of rupees is 22 per cent. Since the exchange rates with them were unaltered, devaluation increased India's earnings of soft currency considerably by helping its exports to other countries which had also devalued in competing with those from non-devaluing countries.

The terms of trade of India which were unfavourable in the first two quarters of 1949 as compared with the third quarter of 1949, remained unfavourable in the first two quarters after devaluation. However, associated with an unfavourable balance of trade, they became slightly favourable after the devaluation. In the last quarter of 1950, they again became unfavourable, while a favourable balance of trade re-emerged.

Ceylon, Malaya and Indonesia

After the devaluation, in Ceylon, Malaya and probably Indonesia a favourable balance of trade prevailed with favourable terms of trade The favourable balance of trade was attributed to the great increase in th value of exports which, in turn, was the result of a tremendous rise i export prices and a relatively moderate rise in quantum of exports (se table 80). Export prices in the third quarter in 1950 were 39 per cen higher than in the quarter before devaluation in Ceylon, and those in th second quarter of 1950 were 47 per cent higher in Malaya and 174 per cen higher in Indonesia.[18] This already outweighed the price advantages i exports, if any, derived from devaluation. In other words, the unit valu of exports, in terms of dollars, had already risen above the pre-devaluatio level and the increase in the total value of exports thereafter could n be attributed to any great extent to devaluation. The major factors responsible were increased buying by the United States as a result of economi

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[18] The new exchange system in March 1950 further devalued the exchange rate f exports by 50 per cent. However, even taking this into consideration, export prices terms of dollars had already exceded their pre-devaluation level.

Table 80. Ceylon, Malaya and Indonesia: Quarterly Indices of Unit Value, Quantum and Total Value of Imports and Exports

(Base: third quarter, 1949 = 100)

	Index of unit value[a]		*Quantum index*		*Index of value*[a]		*Value of exports as percentage of value of imports*
	Import	*Export*	*Import*	*Export*	*Import*	*Export*	
Ceylon							
1949							
I	105	101	135	96	129	91	85
II	99	98	141	99	127	95	90
III	100	100	100	100	100	100	120
IV	101	113	113	100	109	114	126
1950							
I	105	130	111	92	107	112	125
II	104	125	167	109	149	129	103
III	104	139	145	118	140	157	135
IV	110	167	127	118	132	189	173
Malaya							
1949							
I	106	103	100	110	105	111	101
II	104	101	113	88	117	90	74
III	100	100	100	100	100	100	96
IV	106	122	108	103	114	124	104
1950							
I	103	128	118	111	123	142	100
II	106	147	134	113	142	162	109
III	119	199	157	148	189	286	145
IV	147	282	161	149	235	405	165
ndonesia							
949							
I		99			65	87	112
II		99			85	97	96
III		100			100	100	83
IV		122			115	119	86
950							
I		128			57	103	149
II[b]		274			69	156	188
III[b]		382			91	239	219
IV[b]		491			134	261	163

Sources: Compiled from national trade statistics.
[a] In national currency.
[b] Excludes the value of certificate.

ecovery and stock-piling, as well as increasing consumption and buying rom other competing countries, especially of rubber. Nevertheless, domestic roduction and employment benefited from devaluation in the initial eriod as local prices of almost all export commodities rose after devaluaion. The case of rubber may serve as a good example. Owing to the merican recession and the subsequent decline in demand, the price of ubber fell in Ceylon, Malaya and Indonesia in mid-1949 and placed the ubber producers in a difficult position. After devaluation, rubber prices ose substantially, thus helping to expedite the recovery of production nd employment. However, the dollar price of rubber in New York was ill low in the fourth quarter of 1949. In the first quarter of 1950, however, the dollar price of rubber in New York rose above the pre-devaluation level. From that time up to the end of 1950 the quantity of rubber exports rose much more slowly than the price of rubber (see table 81).

Table 81. Prices and Exports of Rubber from Ceylon, Indonesia and Malaya

	Wholesale prices[a]		*Total exports*	*Exports to USA*	*Percentage of exports to USA in total exports*
	Singapore ($M)	*New York ($US)*	*(in thousand metric tons)*		
1949					
I	805	417	375	104	28
II	755	388	316	110	35
III	792	372	361	86	24
IV	1,015	371	382	128	33
1950					
I	1,151	423	359	126	35
II	1,675	606	442	152	34
III	2,754	1,078	555	164	30
IV	3,959	1,517	569	179	31

Source: Rubber Study Group, *Rubber Statistical Bulletin.*
[a] Monthly average per ton for R.S.S. No. 1 in Singapore and R.S.S. in New York.

On the import side, devaluation, by raising the prices of dollar imports tended to raise the price index of all imports. However, in Ceylon anc Malaya (and probably Indonesia) the import price index rose only slightl after devaluation until the latter half of 1950. The reasons were twofold Firstly, the share of imports from the United States in the total import of Ceylon and Malaya was small and that from the sterling area, especiall the United Kingdom, was large. Secondly, there was a shift of import from countries which did not devalue to countries which devalued.[1] Discriminating import control policy also contributed to such a shift Ceylon and Malaya, like India and other countries in the sterling area, ha a large import surplus during 1949 before devaluation. In order to economiz dollar expenditure for the whole sterling bloc, they agreed to reduce thei total dollar outlay for 1949/50 to 75 per cent of the dollar expenditur in 1948. Articles still allowed entry from the dollar area had to be highl essential and not available in the sterling area. This strict control wa still continued and was not relaxed after devaluation, although the balanc of trade became favourable. On the other hand, the control of imports fro the sterling area was relaxed in March 1950 in Ceylon.

In contrast to exports, the increase in which was due not so much to a increase in volume as to a great rise in export prices, the increase i imports was due not so much to a rise in prices as to an increase in volum The terms of trade became favourable.

In Indonesia, a new exchange system which implied another devaluati by one-half of the exchange rate for exports and two-thirds of the exchan rate for imports started in March 1950.[20] Therefore, although starting fro the second quarter of 1950 the rate of increase in the export prices

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[19] See "Devaluation, Price Movements and Changes in External Trade in ECA Countries", *op. cit.*
[20] For details, see *ibid.*

Indonesia was twice that of the export prices of Malaya, the export prices of Indonesia were not out of line with those of its major competitor in the international market, as the exchange rate of Indonesia was lowered by one-half. The considerable rise in export prices in Indonesia was mainly due to inflation.

Burma, Indochina, Thailand

For a variety of reasons imports, exports and the balance of trade in Burma, Indochina and Thailand since September 1949 have not been influenced by devaluation to the same extent as in other countries.

In Burma, exports, following a pattern of seasonal variations, have since the end of 1947 fluctuated more than imports. Exports increased in the first half of the year but decreased in the second. This has been due mainly to the fluctuation in rice exports, which accounted for about 80 per cent of total exports. Exports of rice have been absorbed largely by soft-currency areas in Asia, including India, Ceylon and Malaya, which took 90 per cent of the total in 1949, the other 10 per cent going to China, Japan and the Philippines against payment of hard currencies.

The export price of rice is usually quoted in sterling. As most countries importing Burma's rice also devalued their currencies to the same extent as the United Kingdom, and as the quantity of exports is fixed by bilateral agreements, it was to be expected that devaluation would have little effect on rice exports, and therefore on total exports.

The slightly unfavourable balance of trade in the two quarters following devaluation was due to the normally low level of rice exports toward the end of the year and to delay in the conclusion of rice contracts in the early part of the year. Following the signing of the contracts, rice exports increased considerably, and there was a large export surplus from March 1950 onward.

Imports fluctuated much less and were generally lower in value than exports, so that there had been a favourable balance of trade since 1947. The low level of imports and the favourable balance of trade were maintained chiefly by close control over imports. In April 1949 import control was relaxed. Certain luxury imports hitherto prohibited were permitted, and licences for certain essential imports were more freely issued, with the object of keeping down prices. From that time onward, imports showed a slight increase. After February 1950, Burma had an increasingly favourable balance of trade, and control over imports from the hard-currency area was therefore relaxed.

As about 80 per cent of Burma's imports came from non-dollar countries which devalued to the same extent as Burma, it was to be expected that both prices and volume of imports would not be much affected by devaluation.

Indochina had experienced an increasingly large import surplus since 1947. The basic reason for this disequilibrium was that the low production consequent upon disturbed political conditions caused prices in Indochina to get out of line with international prices. While the official rate of exchange was 12.7 piastres to one dollar and the "open market" rate was about 16 to 1, the cross rate in Hong Kong averaged about 47 piastres to the dollar. Moreover, while the cost-of-living index in Indochina, with 1939 as the base year, was 2.2 and 2.4 times that of France in 1948 and 1949 respectively, the exchange rate of the Indochinese piastre in relation to the franc appreciated by only 70 per cent during the same period. The overvaluation of the piastre in relation to the franc and the dollar was obvious. During the first eleven months of 1949, the total import surplus was 2,450 million piastres, of which 2,015 million piastres were with France and 297 million piastres were with the United States.

The piastre was so greatly over-valued that the devaluation in September 1949 had little effect. In September 1949 the official rate was abolished and foreign trade transactions have since taken place at the open market rate of about 20.5 piastres to the dollar. Thus, the devaluation of the piastre in relation to the dollar in September 1949 was only 22 per cent (the same as the French franc), as compared with 30.5 per cent in sterling-area countries. A black market in foreign exchange continued to exist, and the average rate for the dollar throughout 1949 was 40 to 45 piastres. The exchange value of the piastre in relation to the franc, however, remained unchanged.

Imports from the United States were about 9 per cent of total imports in the first eleven months of 1949, while exports to the United States were less than 1 per cent of total exports in the same period. As imports were under control, and imports from the United States were partly financed by ECA aid, devaluation also had little effect on the trade of Indochina with the United States.

In Thailand only the official rate of exchange was revalued. The free-market rate of exchange, supported by sales of exchange by the Bank o Thailand, had been kept fairly stable and in line with the relationship between internal and international prices, as stated above. Devaluation, therefore, has not had much effect on imports and exports transacted at fre exchange rates. The use of the official rate of exchange has been restricte to the import and export of a few items. It was insignificant on the impor side, as only petroleum and a few other governmental supplies were pur chased at that rate. On the export side, exporters of rice, rubber and ti had to surrender all or a part of their foreign-exchange proceeds to the Ban of Thailand at official rates.[21] Exporters of other commodities were allowe to use their foreign exchange either for financing imports or for sale in the open market. These arrangements resulted in multiple rates of exchange.[22]

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[21] At the beginning of 1949, exporters of rice and cement had to surrender to the Ban all foreign-exchange proceeds at official rates, while exporters of tin had to surrende 50 per cent and exporters of rubber 20 per cent. With effect from 11 June 194 exporters of cement were no longer required to surrender foreign-exchange proceed After 1 January 1950, it was also decided that the proportion of foreign exchange to surrendered by exporters of tin would be reduced from 50 to 40 per cent, and exporte of rice were not required to surrender any part of their foreign exchange above amoun fixed by the Ministry of Commerce on the basis of ruling prices in foreign markets.

The appreciation of the baht in relation to sterling and the lowering of the official rate in relation to the dollar affected the profit margin of the Bank of Thailand in buying and selling foreign exchange, as well as the profit of the Government Rice Purchasing Bureau and the baht income of exporters.[23] As the export price of rice was usually quoted in sterling, the Bank paid the Government Rice Bureau 5 baht per pound sterling less than before the appreciation. On the other hand, as the free-market rate of sterling fell after devaluation, the Bank received about 3 baht less from the sale of sterling in the free market. The difference of 2 baht per pound sterling is the benefit accruing to the Bank from not having devalued the baht to the same extent as sterling. On the other hand, the Rice Bureau is receiving 5 baht less per pound sterling than before, i.e., 190 baht per ton, assuming the export price of rice is still £38 per ton.

Part of the tin and rubber was exported to the United States. As far as the portion of foreign exchange which had to be surrendered to the Bank of Thailand was concerned, the Bank had to pay 2.5 baht more per dollar after devaluation. As the free-market rate of the dollar only rose by 1 to 1.5 baht per dollar after devaluation, the Bank received a little less on the sale of dollars in the free market than before devaluation. However, since the amount of dollars earned from the export of tin and rubber which had to be surrendered to the Bank was relatively small, the loss was unimportant. On the other hand, exporters of tin and rubber received more baht per dollar than before. Furthermore, the reduction of the foreign exchange to be surrendered by exporters of tin from 50 to 40 per cent toward the end of 1949 reduced the Bank's loss and increased the baht income of tin exporters.

As exports of rice were quoted in sterling and were largely handled by the Government agent for fulfilling the quotas in trade agreements, the revaluation had very little effect on such exports. However, exports of rubber and tin to the United States might have been encouraged.

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[22] At the close of 1949 the effective exchange rates were 12.50 baht to the dollar and 35 baht to £1 for export of rice, 18.25 baht to the dollar and 47 baht to £1 for tin, 21.70 baht to the dollar and 54.20 baht to £1 for rubber, and about 23 baht to the dollar and 59 baht to £1 for all other exports.

[23] Rice, rubber and tin are the three major exports from Thailand. During the first half of 1949, rice exports accounted for 56 per cent of total exports, tin for 9 per cent and rubber for 14 per cent. Deducting the 10 per cent sale of sterling to rice exporters at the official rate, and taking into account the surrender of 20 per cent of foreign exchange from export of rubber and 50 per cent from export of tin, the Bank of Thailand could have obtained at the official rate an amount of foreign exchange equal to 58 per cent of total exports during the first half of 1949. This portion, plus foreign exchange earned from items other than exports minus the portion which the Bank of Thailand had to provide at the official rate for government requirements and for imports such as petroleum products, health and educational requirements, became what the Bank could sell in the free market at near market rates. By these arrangements the Bank of Thailand made a profit from the difference between the official buying rate and the free-market selling rate and importers could buy as much as they required at free-market rates to finance imports of commodities which were not controlled.

In short, all the ECAFE countries which devalued, except probably Thailand, followed rather passively the lead taken by the United Kingdom, France and the Netherlands in regard to devaluation. The course which they pursued was part of the over-all readjustment of the disequilibrium between the dollar area and the sterling and other soft-currency areas. In India the low level of imports after devaluation was due both to devaluation itself and to tightening of import control. Devaluation helped India to increase its exports both to the dollar area and to third markets with competing goods from non-devalued sources. But expansion of exports was limited by the availability of an exportable surplus, which was, in turn, limited by the supply of raw materials, especially jute from Pakistan, and the maintenance of the domestic consumption level and stable prices. In Ceylon, Malaya and Indonesia devaluation, by raising the local prices of export commodities in the initial period, helped the recovery of production. The subsequent rise of export prices was mainly due to the improvement of business conditions in the United States and stock-piling by the United States Government, as well as increased purchases of strategic raw materials by other countries. It is the considerable rise in export prices which contributed greatly to the restoration of a favourable balance of trade since devaluation. Devaluation has had little effect on prices and trade in Burma, since its trade with the dollar area was limited. It also has had little effect on Indochina since the large over-valuation could not be corrected by a relatively small dose of devaluation and the over-valuation with France was not affected by this devaluation. Thailand had approximately achieved both internal stability and exchange equilibrium at the free-market rate o exchange, which was almost unaffected by the devaluation. Export o rice under state trading was mainly to non-dollar areas, and was also no much affected by the devaluation.

Non-devaluation of the Pakistan rupee

Reasons for the non-devaluation of the Pakistan rupee and the subsequent exchange and trade deadlock with India have been discussed i the previous issue of the *Survey*.[24] It was to be expected that after devaluation Pakistan's imports from countries which had devalued would increas on account of lower prices in terms of the Pakistan rupee and that it exports to these countries would decrease because of higher prices i terms of the devalued currencies. The balance of trade would become unfavourable and the terms of trade more favourable. However, as shown i table 82, the trade balance of Pakistan with sterling and other soft-currenc countries turned from unfavourable in 1948/49 to favourable in 1949/5

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[24] See also "Devaluation, price movements and changes in external trade in ECAF countries", in the *Economic Bulletin for Asia and the Far East,* volume 1, No. 2.

Table 82. **Pakistan: Sea-Borne Trade in Private Merchandise with Countries other than India**[a]
(In million rupees)

	Imports		*Exports*		*Balance*	
	1948/49	*1949/50*	*1948/49*	*1949/50*	*1948/49*	*1949/50*
Hard-currency countries..	146	278	344	232	+198	—46
Sterling and other soft-currency countries.....	730	581	459	652	—272	+71
TOTAL	876	859	803	884	— 74	+25

Source: State Bank of Pakistan Report.
[a] Figures are for twelve months beginning July.

as a result of a slight decrease in imports from and a sizable increase in exports to these countries.

On the other hand, the trade balance with hard-currency countries from being favourable in 1948/49 became unfavourable in 1949/50, as a result of the increase of imports from and the decrease of exports to these countries. Factors accounting for this change are, first, the fall in Pakistan's export prices which prevented a decrease of exports to countries which devalued; and secondly, the strict control of import from soft-currency countries, including India, imposed after the devaluation in these countries and the abnormal trade situation with India. As price indices of imports and exports are not available for Pakistan, it is not possible to ascertain the terms of trade. However, judging from the considerable fall in export prices, the terms of trade have not become favourable as expected. After the trade deadlock with India, trade between these two countries became unstable. This affected the economies of both countries as they had very close economic relations. During 1948/49 India supplied about 54 per cent of Pakistan's imports and purchased 62 per cent of Pakistan's exports. Since then, the major part of the trade between these two countries has been conducted under trade agreements. In April 1950 an agreement was reached between India and Pakistan providing for the supply of 400 million maunds of raw jute by Pakistan at prices ranging from Indian Rs. 28 to 34 per maund for delivery at Indian mills. India agreed to supply 20,000 tons of jute manufactures and various other commodities so that the total value of trade between the two countries could be balanced. The price of jute thus fixed was below the maximum price of Rs. 35 per maund fixed by India. India's imports of jute from Pakistan increased from Rs. 24 million in the first quarter to Rs. 51 million in the second quarter of 1950. With the expiry of this agreement in September 1950, no new agreement was negotiated and therefore trade between these two countries again declined until a further agreement was finalized in February 1951.[25]

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[25] See *supra*, chapter XI on "International Commercial and Financial Policies".

Beginning from early 1950, owing to the increased demand for and rising prices of raw materials, Pakistan's exports increased considerably. This was associated with an almost unchanged level of imports and resulted in an export surplus as compared with an import surplus in the previous year. It is probable also that the terms of trade were much improved.

DECLINE OF IMPORT SURPLUS IN 1949 AND RE-EMERGENCE OF EXPORT SURPLUS IN 1950

Changes in Balance of Trade

Compared with the 62 and 61 per cent increase respectively of exports and imports in 1947 over 1946, and 33 and 31 per cent respectively in 1948 over 1947, exports and imports of ten ECAFE countries remained at almost the same level in 1949 as in 1948, with a slight decline in the import surplus. Although the reduction of the import surplus was small, $9 million or 1 per cent of the import surplus in 1948, it marked a turn in the post-war development of international trade in the region.

In 1950, exports rose again by 21 per cent while imports fell by 12 per cent, giving rise to an export surplus of $847 million, as compared with an import surplus of $800 million in 1949. The export surplus of the region which prevailed in pre-war years re-emerged for the first time in the post-war period. In 1949 only three out of ten countries, namely Burma, Ceylon and Thailand, had an export surplus, while in the first half of 1950 three out of ten countries, namely Hong Kong, Indochina and the Philippines, had an import surplus. In the second half of 1950 only Indochina had an import surplus.

This significant change was accounted for mostly by the increase in the value of exports from raw-material-producing countries after the Korean war began, as the export surplus in the second half of 1950 accounted for 84 per cent of the total export surplus of the year. The export surplus of Malaya and Indonesia alone, being $668 million in the year, accounted for 78 per cent of the region's over-all export surplus. In the Philippines the decline of the import surplus from $315 million in 1949 to $24 million in 1950 was also phenomenal, due, however, more to the drastic reduction of imports arising from import restrictions than to an increase of exports

As stated elsewhere, the substantial increase in the value of exports from the region in 1950 was mainly due to the considerable rise in export prices especially of raw materials, while import prices lagged behind. Consequently the terms of trade in many countries, especially the raw-material-exporting countries, became favourable as compared with 1949. In Ceylon, Malaya the Philippines and possibly Indonesia,[26] as compared with pre-war years,[27] it was the first time that the terms of trade became favourable.

Decline of Imports

As stated above, the total imports of the region in terms of dollars, which had been increasing rapidly since the end of the war, ceased to increase in 1949 and declined in 1950. Many factors accounted for the change, e.g. satisfaction by 1949 of the deferred demand for goods from huge imports in previous years, reduction of the foreign-exchange reserves which supported this exceptional demand, improvement in domestic production, and the devaluation. Notwithstanding all these, the most important factor probably was the tightening of import control. Many countries took this step in mid-1949 and did not ease control until mid-1950, even though the devaluation provided a favourable condition during the period. The decline of imports in many countries started from the third quarter of 1949, and proceeded further in most countries in the last quarter of 1949. In the first half of 1950 almost all countries in the region registered a further decrease of imports, and for the region as a whole the decrease amounted to about 23 per cent of the half-year average of 1949. In the second half of 1950, however, imports increased, mainly because of a relaxation in import control and an ample supply of foreign exchange arising from the large export surplus. Restrictions were relaxed considerably in Burma during July and August for imports from sterling-area countries, especially cotton textiles and medicine. In Pakistan restrictions were relaxed for imports from dollar as well as other-currency areas. In Thailand the ban on luxury imports was relaxed early in the second quarter of 1950. In Ceylon, India and Indonesia import controls were also relaxed by mid-1950. In Ceylon, there was even discussion of the complete abolition of import control. In the Philippines, however, import control had been maintained strictly since 1949; it was the only country whose imports declined in the second half-year compared with the first.

Relaxation of import control in the second half of 1950 counter-balanced the tight import control in the first. This, combined with other factors affecting imports, resulted in imports for the whole year 1950 remaining at the same level as in 1949 in Burma, Hong Kong and Pakistan, declining slightly in Ceylon, Indochina and Thailand, and falling considerably in India, Indonesia and the Philippines. The reduction in terms of dollar value, outweighed the increase, resulting in a 26 per cent reduction of the over-all imports of the region compared with 1949 (see table 74b).

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[26] As the unit value index of imports is not available for 1950, it is not possible to calculate the terms of trade. However, as both Malaya and Indonesia are major exporters of rubber and tin, it is to be expected that the change in the terms of trade in Indonesia would not deviate much from that in Malaya.

[27] 1937 for the Philippines and 1938 for Malaya.

Table 83. Imports into the ECAFE Region[a] from the United States by Commodity Groups
(In million dollars)

Commodity group	*1949*	*1950*[b]	*1950*		
			I	*II*	*III*
Grains and preparations	95.7	38.3	8.8	5.4	14.5
Other food products and beverages	85.1	43.3	9.9	12.9	9.7
Tobacco and manufactures	37.7	36.4	6.7	12.8	7.8
Leather, leather manufactures, wood and paper	39.2	23.1	6.3	6.6	4.4
Raw cotton	43.6	173.2	64.8	37.2	27.9
Cotton manufactures[c]	99.7	57.9	10.3	19.1	14.0
Other textile fibre and manufactures	67.9	39.2	6.0	17.1	6.3
Petroleum products	47.1	25.6	8.6	7.0	3.6
Other non-metallic minerals	18.5	11.1	3.0	2.8	2.5
Metals and manufactures	119.8	57.9	16.5	13.6	13.3
Electrical machinery and apparatus	56.7	33.9	9.8	8.6	7.0
Other machinery	210.6	88.0	32.5	20.8	12.7
Vehicles	74.4	55.2	15.1	14.2	12.1
Chemicals and related products	146.5	106.5	24.8	28.5	26.6
Miscellaneous	133.4	62.1	19.5	17.4	10.9
TOTAL	1,276.0	851.4	241.4	224.0	173.3

Source: United States Department of Commerce, Census Report No. FT 420, *United States Exports of Domestic and Foreign Merchandise.*

[a] Including Burma, Ceylon, China (continental China and Taiwan), Hong Kong, India, Indochina, Indonesia, South Korea, Malaya, Pakistan, Philippines and Thailand.

[b] Estimated from data for first three quarters.

[c] Including a relatively small amount of "semi-manufactured cotton".

The region's over-all imports[28] from the United States, as shown by United States statistics, were reduced continuously through the first three quarters of 1950 (see table 83). Imports from the United States in the third quarter of 1950 were only 54 per cent of the quarterly average for 1949. Imports of all categories of commodities from the United States, except raw cotton, were reduced. Estimated total imports of raw cotton into the region were about $173 million in 1950, compared with $44 million in 1949, owing mainly to the large increase of imports of raw cotton into India, China and Hong Kong. Major reductions in imports took place in metal and manufactures, machinery, grains and preparations, and cotton textiles. The reduction of imports from the United States in the third quarter of 1950 as compared with the second indicated that the relaxation in import control had not yet worked out its effects, as there was a time lag between the ordering of goods and actual shipment. However, the continuing expansion of industrial production in Europe and Japan, which provided exportable surpluses of manufactured goods in competition with exports from the United States, and the devaluation might also have contributed to the reduction of the region's imports from the United States.

Although the region's imports[29] from the United Kingdom also declined in 1950, the reduction was relatively small, viz., 24 per cent, compared with 34 per cent reduction in imports from the United States. All categories of imports declined, except food and drink. There was a decline especially of electrical goods, machinery and cotton textiles (see table 84).

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[28] China (mainland of China and Taiwan) and Korea are not excluded as in table 74.

[29] British Borneo, China and Korea are not excluded as in table 74.

The region's imports from Japan, however, increased substantially. The increase in the second half of 1950 was especially large, about 120 per cent above the corresponding half year of 1949. Imports of all commodities, especially fibres and textiles, metals and metal products, and chemicals, increased (see table 85).

Table 84. Imports into the ECAFE Region from the United Kingdom by Commodity Groups[a]

(In million dollars)

	Commodity groups	
	1949	*1950*
Food and drink	32.9	37.5
Tobacco	24.9	20.2
Raw materials and articles mainly manufactured	1.0	0.2
Pottery, glass, abrasives, etc.	19.6	14.4
Iron and steel and manufactures thereof	61.0	62.7
Non-ferrous metals and manufactures thereof	31.2	25.2
Cutlery, hardware, implements and instruments	25.6	20.9
Electrical goods and apparatus	62.5	41.8
Machinery	210.6	159.1
Vehicles (including locomotives, ships and aircraft)	138.8	120.2
Cotton yarns and manufactures	126.8	63.1
Woollen and worsted yarns and manufactures	34.3	22.3
Other textile materials and manufactures	18.9	11.6
Chemicals, drugs, dyes and colours	79.5	62.1
Paper, cardboard, etc.	14.9	11.2
Miscellaneous articles wholly or mainly manufactured	74.2	53.4
TOTAL	956.7	725.9

Source: Accounts Relating to Trade and Navigation of the United Kingdom.

[a] Data in sterling are converted into dollars according to the conversion factors supplied by the International Monetary Fund; figures for 1949 are converted according to a weighted average of conversion factors which takes into account the change in exchange rates before and after devaluation.

Table 85. Imports into the ECAFE Region from Japan by Commodity Groups

(In thousand dollars)

	1949	*1950*	
	July-December	*January-June*	*July-December*
Food and beverages	1,964	3,822	14,093
Fibres and textiles	46,158	78,266	107,177
Wood and paper	866	1,196	4,393
Animal and vegetable products	1,078	794	2,112
Oils, fats and waxes	49	88	65
Chemical	974	1,761	7,892
Non-metallic minerals	5,411	8,319	8,385
Metals and metal products	15,562	20,435	37,116
Machinery	25,479	15,440	28,779
Miscellaneous	1,708	3,188	7,640
TOTAL	99,249	133,309	217,652

Source: SCAP, *Japanese Economic Statistics.*

The movement of the quantum of imports is recorded by only a few countries. Although the value of imports into Burma and Indochina fell in 1950, the quantum of imports increased; the discrepancy between these movements is due to a much greater fall in import prices. In Malaya, the increase in the value of imports was only partly accounted for by a rise of import prices; hence the quantum of imports also increased. In the Philippines, the quantum of imports was reduced. In India, a relatively slight rise in import prices was overbalanced by the reduction in total value of imports and resulted in a decrease in imports in real terms[30] (see table 90).

Rise in Export Prices and Increase of Exports

The rise in the value of exports of ten countries in the region, in terms of dollars, of about $1,000 million in 1950, or 22 per cent above 1949, was accounted for to the extent of 60 per cent by the increase of exports in Malaya (see table 74b). In Malaya, exports of rubber accounted for about 56 per cent of its total exports for the year. Exports of other countries also increased to a less degree, but in Burma and India they were reduced. The increase of exports occurred in the second half of the year, after the outbreak of the Korean war, as in the first half-year exports were slightly lower than the half-year average for 1949.

The limited information available on the major commodities being stock-piled by the United States suggests that in terms of dollar value rubber, tin and copper represent the most important commodities and that other major commodities include lead, chrome, zinc and aluminium. Crude rubber imports were expected to average 70,000 tons monthly during 1951; of this quantity, probably well over half is to be stock-piled, and the price has risen sharply. The target for the tin stock-pile has been estimated as 250,000 tons, of which about 60,000 tons had been accumulated by about the middle of 1950. Government stock-piling of copper increased from 175,000 tons in 1948 to 190,000 tons in 1950 and is likely to be very substantially higher in 1951.[31] In the fiscal year 1950, purchases of all commodities amounted to $400 million, of which about three-fourths represented materials of foreign origin.[31]

As shown in table 86, among fourteen major commodities exported from the region to the United States, all except jute and jute manufactures and tin increased in 1950 as compared with 1949, in terms of dollars. Rubber led other commodities with an increase of about $100 million, followed by spices, raw wool, ferro-alloy ores and metals, sugar and cocoa, coffee and tea. Most of the increase of exports was from the raw-material-exporting countries, Malaya, Indonesia and the Philippines.

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[30] The value of trade referred to in this section is computed in terms of national currencies.

[31] United Nations, *World Economic Report*, 1949/50.

Table 86. Exports of Selected Commodities from the ECAFE Region to the United States

(In million dollars)

Commodities	*1949*	*1950*[a]	*1950*		
			I	*II*	*III*
Hides and skins, raw, excluding furs	10.7	14.3	3.5	3.6	3.6
Nuts and nut preparations	33.0	35.7	7.1	9.5	10.2
Cocoa, coffee and tea	40.3	49.3	13.6	12.9	10.5
Spices	22.5	46.0	9.8	9.5	15.2
Sugar and related products	50.7	59.6	9.0	20.8	14.9
Rubber and allied gums and manufactures	229.9	328.8	57.7	83.9	105.0
Oil seeds	67.4	72.0	16.3	15.4	22.3
Vegetable oils and waxes, inedible	27.4	32.1	5.9	9.0	9.2
Jute and manufactures	133.1	104.4	23.5	26.3	28.5
Vegetable fibres and manufactures	15.4	18.9	4.0	5.6	4.6
Wool, unmanufactured	14.7	35.3	7.1	8.4	11.0
Non-metallic minerals and manufactures	17.3	22.7	5.4	6.4	5.2
Ferro-alloy ores and metals	14.3	27.3	9.4	6.1	5.0
Tin	123.1	117.7	30.9	25.6	31.8
Total of the above items	799.8	964.1	203.2	243.0	277.0
TOTAL, exports	977.9	1,151.8	245.4	286.5	331.9

Source: United States Department of Commerce, Census Report No. FT 120, *United States Imports of Merchandise for Consumption.*

[a] Estimated from figures of first three quarters.

The aggregate exports of raw materials from the region to the United Kingdom, in terms of dollars, also increased in 1950, chiefly because of an increase of rubber exports from Ceylon, Malaya and Indonesia. Among manufactured goods, exports of cotton textiles also increased considerably. On the other hand, exports of beverages and cocoa preparations (especially from India), oilseeds and nuts (especially from Ceylon, India and Hong Kong), oils and fats (especially from Indonesia) and textile manufacturers other than cotton and wool, as well as hides, skins, leather and leather manufactures (especially from India) were substantially reduced (see table 87).

The region's export to Japan in 1950 increased by 94 per cent as compared with 1949. Much of the increase was in agricultural products, such as food and beverages, mainly from Thailand and Pakistan, and animal and vegetable products, mainly from India, Malaya and the Philippines (see table 88). This increase partly compensated for the decrease in exports to the United Kingdom.

The increase in total dollar value of exports from Ceylon, Indochina, Malaya and the Philippines was accounted for by an increase both in the prices and in the quantity exported. The considerable rise in prices of a few raw materials (in terms of dollars) in the second half of 1950 can be seen from table 89. The price of rubber was about 250 per cent above the pre-devaluation level and copra was about 80 per cent higher, while

Table 87. Exports from the ECAFE Region to the United Kingdom by Commodity Groups[a]

(In million dollars)

	1949	*1950*
Food, drink and tobacco	297.0	216.4
Food	35.0	38.1
Beverages and cocoa preparations	240.5	155.7
Tobacco	21.5	22.6
Raw materials and articles mainly manufactured	300.2	335.2
Non-metalliferous mining and quarry products and the like, except coal	4.9	4.1
Non-ferrous metalliferous ores and scrap	8.1	5.7
Wood and timber	8.8	7.7
Raw cotton and cotton waste	18.8	20.2
Wool, raw and waste, and woollen rags	12.2	18.1
Other textile materials	43.4	45.1
Seeds and nuts for oil, oils, fats, resins and gums	93.9	49.3
Hides and skins, undressed	12.0	8.3
Rubber, raw and kindred materials	781.1	157.1
Miscellaneous, raw materials and articles mainly unmanufactured	20.0	19.6
Articles wholly or mainly manufactured	111.1	96.4
Cotton yarns and manufactures	1.3	17.4
Woollen and worsted yarns and manufactures	6.1	8.3
Manufactures of other textile materials	53.2	28.8
Oils, fats and resins manufactured	7.9	7.2
Leather and manufactures thereof	38.3	31.2
Miscellaneous articles wholly or mainly manufactured	4.3	3.5
TOTAL	708.3	648.0

Source: Accounts relating to Trade and Navigation of the United Kingdom.

[a] Data in pounds sterling were converted into dollars according to the conversion factors supplied by the International Monetary Fund. Figures for 1949 are corrected according to a weighted average of conversion factors which takes into account the difference in exchange rates before and after the devaluation.

Table 88. Exports of the ECAFE Region to Japan by Commodity Group

(In million dollars)

	1949	*1950*
Food and beverages	46.3	132.
Fibres and textiles	28.4	49.
Wood and paper	1.8	2.
Animal and vegetable products	26.5	64.
Oils, fats and waxes	3.1	4.
Chemical	0.8	0.
Non-metallic minerals	13.4	10
Metals and metal products	24.6	17
Machinery	–	–
Miscellaneous	–	–
TOTAL	144.9	281

Source: SCAP, *Japanese Economic Statistics.*

there was a relatively slight rise in the prices of tin and coconut oil. The prices of rice, tea and jute in dollars were, however, still below the pre-devaluation levels.

In India, although both the unit value and the quantum index of exports rose, the total value of exports in dollars was reduced, which showed that although the index of export prices in terms of rupees rose, it was lower in terms of the dollar after devaluation. In Burma, the fall in export prices outweighed the increase in the quantity of exports and resulted in a decrease in the total value of exports.

Table 89. Index of Prices in Terms of Dollars of Selected Commodities Exported from ECAFE Countries

(Base: 1938 = 100)

	Rubber (Malaya)	*Tin (Malaya)*	*Coconut oil (Ceylon)*	*Copra (Philippines)*	*Rice (Burma)*	*Tea[a] (India)*	*Jute (Pakistan)*
1938	100	100	100	100	100	100	100
1947	128	174	451	584	483	184	315
1948	145	225	460	859	552	209	388
1949 Jan.-Sept.	120	234	459	521	552	218	376
1949 Oct.-Dec.	109	171	319	528	384	153	282
1950 Jan.-June	153	170	411	586	402	153	284
1950 July-Dec.	364	264[b]	463[c]	609	402[d]	170[e]	263

Source: Price data are from International Monetary Fund, *International Financial Statistics.*

[a] April 1938 - March 1939 = 100.
[b] Average of September, October and November.
[c] Average of July, September, October and November.
[d] Average of five months from July to November.
[e] Average of four months from September to December.

Changes in Terms of Trade

Unit value indices of exports and imports are available for only seven countries in the region, as shown in table 90a. Bearing all the statistical qualifications in mind,[32] the terms of trade can be derived from the unit value index of imports divided by the unit value index of exports. A relative rise in export prices compared to import prices indicates that the quantum of exports which could be exchanged for a given quantum of imports had decreased, thus bringing about an improvement in the terms of trade as compared with the base period. From table 90a it can be seen that the terms of trade in 1950 as compared with 1949 improved considerably in raw-material-exporting countries, such as Ceylon, Malaya and the Philippines, and slightly improved in the chief rice-exporting countries such as Burma and Indochina. In the raw-material-exporting countries, the improvement in the terms of trade was accounted for by the substantial rise in export prices relative to a slight rise in import prices. In Burma, it was due to a larger fall in import prices than in export prices, and in Indochina to a substantial rise in export prices and a slight fall in import prices. The improvement was especially apparent in the second half of the year, except in the Philippines. Comparing the second half of 1950 with 1949 the improvement in terms of trade was 53 per cent in Malaya, 37 per cent in Ceylon, 35 per cent in the Philippines, 25 per cent in Indochina and 23 per cent in Burma. In India, however, there was no change in the terms of trade in 1950 as compared with 1949 (see table 90a).

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[32] *Economic Survey of Asia and the Far East,* 1949, p. 241.

Table 90a. Unit Value Index of Exports and Imports and Terms of Trade
(1938 = 100)

	Burma[a]	*Ceylon*[b]	*India*	*Indochina*	*Indonesia*[c]	*Malaya*	*Philippines*[d]
Unit value of exports							
1946	455	228	279	405	..	..	156
1947	552	303	371	610	..	197	257
1948	561	308	417	898	320	230	292
1949	562	327	433	1,155	337	225	203
1950	526[e]	443	450	1,237	1,019	399	224
Jan.-June	539	405	454	1,131	644	291	208
July-Dec.	540[f]	485	460	1,441	1,396	507	241
Unit value of imports							
1946	364	351	264	560	..	..	..
1947	412	405	304	839	..	249	..
1948	448	405	357	1,284	..	276	234
1949	543	415	346	1,578	..	278	238
1950	507[e]	425	364	1,523[e]	..	317	189
Jan.-June	554	428	362	1,483	..	278	181
July-Dec.	412[f]	436	366	1,618[f]	..	356	196
Terms of trade							
1946	80	154	95	138	..	..	..
1947	75	134	82	138	..	126	..
1948	80	132	86	143	..	120	80
1949	96	127	80	137	..	124	117
1950	93[e]	96	80	133[e]	..	83	76
Jan.-June	103	106	80	131	..	96	70
July-Dec.	73[f]	90	80	112[f]	..	71	82

Source: United Nations, *Monthly Bulletin of Statistics; Quarterly Bulletin of Statistics,* Ministry of National Planning, Burma; *Statistical Bulletin,* Central Bank of the Philippines.

[a] 1937-38 = 100. Fiscal year ending 30 September of the year stated for 1946-1950.

[b] Series not comparable beginning 1950.

[c] The unit value of exports includes exchange certificates beginning March 1950.

[d] 1937 = 100.

[e] Estimated from first three quarters data.

[f] Third quarter figure.

For the first time in the post-war period, the three raw-material-exporting countries, Ceylon, Malaya and the Philippines, had more favourable terms of trade than in 1938. In Indochina, they were still unfavourable, while in Burma and India, they had been favourable since 1946, compared with 1938.

As manufactured goods account for about half the import of most countries in the region, it is interesting to know the relationship between the prices of imported manufactured goods and those of exports. Such data are available only for India and Malaya. In India this relationship improved by 2 per cent in 1950 as compared with 1949, and in Malaya it improved by as much as 25 per cent over 1949 and by 20 per cent over 1938.[33]

Notwithstanding the considerable improvement in the terms of trade of the raw-material-exporting countries and the recent substantial increase of foreign-exchange reserves of many countries in the region, their prospects of receiving an increased supply of imported manufactured goods, or perhaps even of maintaining the present volume of imports are not reassuring. Should the impact of the rearmament programme be so severe as to curtail the supply of such goods, the under-developed countries would be again confronted with problems similar to those that arose during the last war. With a continued high level of exports and in the absence of adequate imports, the large export surpluses associated with their highly liquid international financial position would add to domestic inflationary pressure. At the same time, their development programmes would risk being deferred for lack of essential imports. In countries which are sources of supply of raw materials in great demand, the production of such raw

Table 90b. Quantum Index of Trade

(1938 = 100)

	Burma	*Ceylon*[a]	*India*	*Indochina*	*Malaya*	*Philippines*[b]
Exports						
1946	23	123	66	53	..	23
1947	40	115	66	24	122	63
1948	39	125	58	39	137	68
1949	19	124	62	29	134	81
1950	25[c]	138	66	36	174	97
Jan.-June	23	127	61	33	166	90
July-Dec.	27[d]	150	71	39	199	105
Imports						
1946	33	89	80	37	..	..
1947	37	110	94	76	106	..
1948	24	112	94	117	124	221
1949	38	121	97	160	125	219
1950	44[c]	137	83	190[c]	170	165
Jan.-June	29	138	78	150	151	192
July-Dec.	58[d]	136	91	229[d]	190	131

Sources and notes: See sources and notes to table 90a.

[a] Series not comparable beginning 1950.

[b] 1937 = 100.

[c] Estimated from first three quarters of 1950.

[d] Index for the third quarter.

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[33] Derived from unit value index of imports of manufactures and of exports as given in *Monthly Abstract of Statistics*, Government of India, for India, and from United Nations, *Monthly Bulletin of Statistics*, for Malaya.

materials would no doubt attract foreign, as well as domestic, capital; but the resulting redirection of investment activities would in many cases entail a shift of emphasis from the presently-contemplated programmes of more diversified types of economic development.[34]

RECENT DEVELOPMENTS IN THE INTERNATIONAL TRADE OF CHINA AND JAPAN

China

China had a big import surplus in 1946 — the biggest among ECAFE countries — amounting to $413 million compared with an export surplus of $4 million in 1936. The import surplus was mainly accounted for by the low level of exports, which paid for only about 26 per cent of imports in that year. The import surplus in 1946 and 1947 was financed largely by foreign aid. Trade in 1948 was considerably reduced because of the spread of civil strife. Imports were reduced by about two-thirds and exports by about half, thus bringing about a substantial reduction in the import surplus. Since 1949, following the rapid expansion of areas under the Peking Government, the rehabilitation of production and transportation on the mainland, and the maintenance of relatively stable currency and prices, foreign trade has begun to increase. Various measures of import and export control were adopted, such as the state monopoly in the export of bristles, soybeans and mineral oils, the allocation of foreign exchange for the import of machinery and essential raw materials, and the granting of loans to producers and exporters of staple products. Statistics on the total value of trade have not been available since 1949. Trade with the United States, the United Kingdom, Hong Kong and continental Western Europe, as recorded in the trade statistics of these countries, are given in table 91.

As shown in the table below, aggregate exports to the United States, the United Kingdom, continental western Europe and Hong Kong remained unchanged in 1949 but increased in 1950. Imports from the United States decreased considerably in 1949 and 1950, mainly because of the United States embargo on exports to China. Imports from the United Kingdom also decreased, but imports from Hong Kong increased substantially, from $71 million in 1948 to $256 million in 1950, mainly because Hong Kong, more than during earlier years, served as an *entrepôt* for the mainland of China through which commodities were imported from other countries with which the Peking Government had strained diplomatic relations. According to a Peking broadcast, trade in 1950 increased over that in 1949. In the total value of trade, exports accounted for 52 per cent and imports accounted for 48 per cent, thus giving rise to a small export surplus. About 78 per cent of the total imports represented machinery and raw materials, a marked change as compared with pre-war and earlier post-war years before 1948. The principal exports consisted of soybeans, bristles, tung oil, peanuts, handicraft articles and ores. Trade with the Union of Soviet Socialist Republics accounted for about one-fourth of total trade in 1950, as compared with only 8 per cent in 1949 and 0.4 per cent in 1936. Trade with eastern European countries such as Poland, Czechoslovakia, Hungary, and eastern Germany, also increased following the conclusion of trade agreements with those countries. Information on the share of state trading in total trade is not available for China as a whole. Incomplete statistics on foreign trade in North China in 1949 indicate that trade handled by state enterprises amounted to about 40 per cent of total trade at the end of 1949.

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[34] United Nations, *World Economic Report,* 1949/50.

Before the outbreak of the Korean war, the general trade policy was to promote exports and restrict imports with a view to accumulating foreign exchange. Since then, however, the policy has been to raise imports of essential commodities, especially machinery and raw materials, on account of the uncertainty in the international situation. Import, however, has been affected by the United States embargo on exports to the Chinese mainland, Hong Kong and Macao. The ban on transportation or discharge by American ships or aircraft of strategic materials shipped from or transshipped through the United States was announced in December 1950. It also totally prohibited the carriage without licence to, or discharge at, Hong Kong of any goods of any origin, which might be suspected of being in transit or ultimately destined directly or indirectly to any point on the Chinese mainland.

Japan

Before the establishment of the single exchange rate in April 1949, Japanese trade was conducted on the basis of a complicated price-computing system. Since then all export and import trade has been conducted at the single rate of exchange of Y.360 to $1. On the other hand, overseas market conditions became unfavourable owing to the downward movement of prices in the United States and the great dollar shortage in non-dollar areas, which caused increasing restrictions on imports into sterling-area countries. After the devaluation of sterling and other associated currencies in September 1949, exports from Japan dropped heavily, owing mainly to anticipation of the devaluation of the yen. Faced with this situation, the Government announced that the yen would not be devalued and decided on consolidating measures to improve trade conditions, e.g., utilization of United States aid for the purchase of commodities from non-dollar areas and the conclusion and consolidation of trade agreements requiring both parties to balance exports and imports. Trade was also to be shifted from a governmental to a private basis. No government authorisation was to be necessary for exports from 1 December 1949, and imports of commodities other than United States aid materials were shifted to private trade from January 1950.

Table 91. Imports and Exports of China

(In million dollars)

	1946	*1947*	*1948*	*1949*	*1950*
Exports to					
United States	59	54	121	109	150
United Kingdom	7	15	33	15	28
Continental western Europe	8	18	33	28	60
Hong Kong	43	80	108	138	150
TOTAL	117	167	295	290	388
Imports from					
United States	323	243	279	136	70
United Kingdom	36	33	35	10	10
Continental western Europe	34	33	46	40	63
Hong Kong	25	9	71	127	256
TOTAL	418	318	431	313	399

Source: In 1946 and 1947 figures are taken from Chinese Maritime Customs: *Customs Trade Returns;* for 1948-50 they are derived from the trade returns of trading partners. For the derived figures no adjustment has been made for differences in f.o.b. or c.i.f. valuations.

Despite the unfavourable effect on trade exerted by the downward movement of prices in the United States and the devaluation of sterling, trade in 1949 exceeded that in 1948. If imports financed by United States aid were disregarded, there was a large increase in the export surplus in 1949 and 1950, chiefly because of the rapid expansion of exports. The abnormal post-war dependence of the Japanese economy on imports from the United States was also substantially reduced after the middle of 1949 by restoration of some pre-war markets for its exports. Thus the value of Japanese imports of foodstuffs from the United States in the first half of 1950 was less than half of its semi-annual average in the preceding year, owing to a shift of wheat imports from the United States to Argentine, Australian and Canadian sources of supply. In addition, larger quantities of rice were made available to Japan by Burma and Thailand. A large part of the reduction in foodstuffs imported from the United States, however, was offset by an increase in the import of cotton and to a limited extent of other raw materials. The shift in the composition of Japanese imports from the United States reflects the changing demands of the Japanese economy under the influence of the partial recovery of its export markets, particularly for textiles. The value of Japanese exports more than doubled between 1948 and the first half of 1950, owing largely to the increase in Japanese textile exports. Though of lesser importance, the tenfold increase in Japan's exports of metals and manufactures, machinery and vehicles during this period is noteworthy; it was caused chiefly by an increase in the export of copper and copper products to the United States in the first half of 1950.

After the outbreak of the Korean war, there occurred a remarkable advance in exports and a stagnation in imports. Since June there had already arisen a new phenomenon of increased exports to the dollar area, particularly of non-ferrous metals, through the purchase of copper and zinc etc. by the United States Government and a resultant price advance from a further increase of exports not only to the dollar area but also to the sterling area. Imports, however, increased only slowly. As a result, an export surplus, even including the imports financed by the United States aid, was registered in the second half of 1950. This development had a favourable effect on the Japanese economy, but as Japan depends to a high degree on the United States for raw materials, the enforcement of export control in that country may make it difficult for Japan to acquire raw materials, especially raw cotton, for the expansion of exports.

Since the Korean war began, Japan has suspended its exports to the mainland of China. Exports of all commodities, excluding textile manufactures, to the Chinese mainland and Hong Kong were banned from 6 December 1950. During the period from January to October 1950 exports to the Chinese mainland amounted to $14.2 million and imports from the same source to $21.5 million. The principal imports were iron ore and coking coal. If Chinese exports to Japan are discontinued, the production of iron and steel and other products will be affected. Importation of coal and iron ore from the United States appears to be difficult because of the rearmament activity in that country. This difficulty is one of the major obstacles to the achievement of a self-supporting economy for Japan.

Table 92. Japan: Imports, Exports and Balance of Trade
(In million dollars)

	Imports			*Exports*	*Balance*	
	US aid	*Commercial*	*Total*		*Including US aid*	*Excluding US aid*
Sept. 1945-Dec. 1946	193	113	306	103	—202	— 9
1947	404	119	523	174	—350	+ 54
1948	461	223	684	258	—426	+ 35
1949	535	370	905	510	—395	+139
1950	357	601	959	820	—139	+218
Jan.-June	212	272	485	323	—161	+ 51
July-Dec.	145	329	474	497	+ 23	+167

Source: SCAP, *Japanese Economic Statistics.*

BALANCE OF PAYMENTS AND INTERNATIONAL FINANCE[35]

Post-war Payments Position

Owing to lack of adequate and comparable data it is not possible to compile regional balance-of-payments estimates. An assessment of the general payments position of the region can, therefore, be done only on the basis of data available for individual countries and of certain significant common elements discernible in them.

The post-war payments position of the countries in the region may be said to be characterized by: (*a*) heavy merchandise deficits between 1946 and 1949, succeeded by a surplus in 1950 (as has been shown in the preceding sections on trade); (*b*) receipts from official donations utilized for the financing of the balance-of-payments deficits; (*c*) drawing on foreign-exchange assets for meeting the deficits, and (*d*) limited private capital movements. The last three features will be briefly summed up below.

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[35] Materials for this section have been supplied by the International Monetary Fund.

Receipts from official donations have been extremely important in Indonesia, South Korea and the Philippines in post-war years, and were important for the National Government of China during 1946-48. They have dominated the payments position of Japan. Such receipts, in the case of the first three countries, include those of the Philippines from the United States Government on account of military expenditure, war damage claims, pensions, and other services and surplus property credits; United States grants and aid under the military administration during 1945-47, and Economic Co-operation Administration aid to the Republic of Korea during 1948-50; grants and loans from the Netherlands and Economic Co-operation Administration aid from the United States to Indonesia.[36] Such receipts of funds, in the case of all recipient countries in the region, have rendered possible the purchase abroad of goods and services which would otherwise not have been possible or which would have involved a serious drain on available foreign-exchange resources.

India, Pakistan and Ceylon have depended essentially on drawing on their foreign-exchange assets for balancing their current accounts. India's heavy deficits up to the end of 1949 were predominantly met out of its foreign-exchange holdings, and to some extent by the use of the resources of the International Monetary Fund in 1948 and 1949, though on a much smaller scale. Pakistan met its payments deficits (excluding transactions with India) mainly by drawing on its foreign-exchange assets, though its net deficits (including transactions with India) were smaller and were not likely to have brought about an appreciable reduction in such assets. These were not the only countries which had to use their foreign-exchange assets to meet deficits. Even among the countries which received official donations from abroad, Indonesia and particularly the Philippines have often found it necessary to draw on their exchange assets. Thailand alone among the ECAFE countries has generally been able to add to its exchange assets over the post-war years (except for a small decline in 1947) without any receipts from official donations. As indicated earlier, Japan has also been able to raise its exchange assets from 1947 onwards on account of the official donations from the United States, despite its merchandise deficits up to 1949 (see table 93).

Owing to unfavourable political and economic conditions the inflow o private capital to the region appears to have been relatively small. Exceptions are the Federation of Malaya and Singapore, which received a fai amount of foreign capital for post-war rehabilitation. The outflow o

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[36] See *supra*, chapter **V** on "Financing of Economic Development"; also *Economi Survey of Asia and the Far East, 1949,* chapter XVII on "External Aid and Investment'

Table 93. Changes in Net Short-Term Capital and Foreign-Exchange Assets of Official and Banking Institutions[a]

(Increase or decrease (—) in millions)

	Currency unit	1946	1947	1948	1949	1950
Ceylon	Rupee	— 37	45	62[b]	— 74[b]	108
India[c]	Rupee	—615	—1,030	—988	—1,603	318
Indonesia	Rupiah	—130	— 322	158	12	550
Pakistan[d]	Rupee	–	–	87	— 504	—190
Philippines	Peso	—406	52	— 42	— 361	185
Thailand	$US	15	3	65	49	72
Japan	$US	— 58	66	105	179	485

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[a] Including monetary gold but excluding liabilities arising from subscriptions in local currency to the International Monetary Fund and the International Bank for Reconstruction and Development.

[b] Include long-term capital movements; no separate data on short-term capital movements.

[c] Excluding transactions with Pakistan and payments for the repatriation of sterling debt and the purchase of sterling pension annuities and defence stores and installations from the United Kingdom.

[d] Excluding transactions with India.

private capital from the countries in the region has in some cases been kept in check by exchange controls, and pronounced tendencies to a flight of private capital were restrained in Burma in 1948 and in the Philippines in 1949.

The year 1950 marked a turn in the payments position of the countries of the ECAFE region and Japan, owing mainly to the export boom and the emergence of an export surplus. In table 94 is shown the improvement in net foreign-exchange position during the year. Seven of the eight ECAFE countries, namely Burma, Ceylon, India, Indonesia, Malaya and Singapore, the Philippines, and Thailand, showed an increase of net foreign-exchange holdings, with the raw-material and rice-producing countries topping the list (Malaya and Singapore, Indonesia, the Philippines and Thailand). The over-all improvement for the eight ECAFE countries given in the table was in the order of $755 million in 1950, and if Japan be included, the total reached $1,240 million. Though subject to qualifications, the figures quoted illustrate the substantial improvement which occurred in 1950, contrasting with the difficult payments situation in preceding years (see table 94).

It is useful to consider the following questions: (*a*) How lasting will be the increased demand and higher prices of the exports of the ECAFE region? (*b*) How far will the region as a whole and not a few countries only, be affected? (*c*) What will be the effects on the supply of capital and consumer goods and essential materials imported by the ECAFE region? (*d*) How far would more liberal import policies in 1951 and possibly in 1952 on the part of ECAFE countries result in the using up of their exchange reserve? (*e*) How will the ability of Japan to supply the requirements of ECAFE countries be affected because of the extraordinary demands of the Korean war on Japan's productive capacity?

Table 94. Improvement in Net Foreign-Exchange Position During 1950
(In million dollars)

Burma	6
Ceylon	30
India	67
Indonesia	144
Malaya and Singapore	400[a]
Pakistan	57
Philippines	93
Thailand	72
TOTAL, 8 ECAFE countries	755
Japan	485
TOTAL, ECAFE countries and Japan	1,240

[a] Export surplus plus allowance of $50 million for net receipts from invisibles.

Position of Individual Countries[37]

Burma

Only fragmentary information, limited to the year 1950, is available o Burma's balance of payments (see table 95).

By restricting imports and remittances abroad, Burma was able t increase its foreign-exchange reserves in each of the years 1948, 194 and 1950. In 1948, especially towards the end of the year, stringent control were enforced with a view to arresting a flight of capital. That year ende with an increase in Burma's sterling reserves by Rs. 23.9 million. In 194 the sterling reserves increased by Rs. 139.3 million. In 1950 the increas in sterling reserves amounted to more than Rs. 26.6 million, reachin Rs. 558.6 million. These figures should not, however, be interpreted a denoting a strong payments position, as they had been achieved only b strict controls on imports and other foreign-exchange expenditure.

Table 95. Burma: Current Items in the Balance of Payments, 1950
(In million rupees)

	With dollar countries			*With all countries*		
	Credit	*Debit*	*Balance*	*Credit*	*Debit*	*Balanc*
Merchandise	2.6	4.0	—1.4	723	516	207
Government payments	0.1	2.9	—2.8	11	94	— 83
Invisible items	2.6	1.1	1.5	21	132	—111
TOTAL	5.3	8.0	—2.7	755	742	13

Source: Union Bank of Burma.

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[37] The differences between the figures of merchandise transactions in the balance-o payments tables and figures contained in the tables on trade are in general due three factors: (*a*) the merchandise figures in the balance-of-payments tables have bee adjusted for various factors; (*b*) in some cases the merchandise figures in the balanc of-payments tables are taken from exchange control records rather than from th customs statistics: (*c*) the balance-of-payments figures cover calendar years, whi some of the figures in the trade tables cover fiscal years.

eylon

In most of the five post-war years from 1946 to 1950, Ceylon had an xport surplus. Allowing for receipts under government and other items, nd for payments on foreign investment, its balance on total goods and rvices was positive, except in 1947 and 1949. In 1950 Ceylon's payments osition improved, on account of the devaluation of September 1949 and e increased demand and higher prices for its exports since the middle f 1950. In that year there was an increase of Rs. 108 million in the hort-term assets of official and banking institutions and of Rs. 31 million the long-term assets. Capital movements have been mostly official trans- ctions. Private capital transactions have not been very significant.

Payments deficits were met by drawing on long-term securities, notably erling, and sterling balances. Such drawings[38] were most pronounced in 947, amounting to Rs. 279 million, and were on a smaller scale in 1946 nd 1949, amounting to Rs. 91 and Rs. 74 million respectively. In 1948 here was a net increase in foreign-exchange assets to the extent of Rs. 62 illion.

dia[39]

The balance of payments of India for the years 1946 to 1950, as set out table 97, was adverse except in 1950, owing largely to an import surplus hich reached its peak of over 2,000 million rupees in 1949. India's balance f payments with Pakistan for the eighteen-month period from July 1948 December 1949 shows a heavy deficit of Rs. 426 million in merchandise ansactions though the compensatory official financing necessary was only s. 334 million.[40] During 1950, however, the trade deficit amounted to only s. 20 million and, after making allowance for other non-compensatory ansactions, there was a small surplus of Rs. 31 million.

The balance-of-payments position improved substantially after devalua- on. For the first time in the post-war period, India had a positive trade lance and a surplus on current account. The improvement was due rtly to devaluation and partly to measures adopted to encourage exports nd to curtail foreign-exchange expenditure through trade and exchange ntrols. The immediate stimulus caused by the devaluation seems to have eakened considerably by the second half of 1950. The improvement in e balance-of-payments position was, however, sustained as a result of e changes in the international economic situation following the outbreak the Korean war.

There was a considerable net outflow of private capital during the ost-war period. The outflow of long-term capital under "Official and nking institutions" is accounted for largely by subscriptions to the

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[38] International Monetary Fund, *Balance of Payments Yearbook*, 1948, p. 104.

[39] For detailed analysis of India's balance of payments, see articles on the subject in *serve Bank of India Bulletin,* July 1949, November 1949, and August 1950; also ticle on "Devaluation and After" by P. S. Narayan Prasad, in *Reserve Bank of India lletin,* November 1950.

[40] I.M.F., *Balance of Payments Yearbook,* 1948, p. 235.

Table 96. Ceylon: Balance of Payments, 1946-1950

(In million rupees)

	1946	1947	1948	1949	1950		
	(Net credits)				Credit	Debit	Net
Current transactions							
Merchandise							
Exports	732	854	1,006	1,013	1,484		1,484
Imports	—684[a]	—972[a]	— 962[b]	—1,029[b]		1,156[b]	—1,156
Balance	48	—118	44	— 16			328
Non-monetary gold	-	— 8	— 11	— 2		2	— 2
Foreign travel	-	-	-	— 29	6[c]	41	— 35
Transportation	35	38	53	54	8[d]	59[e]	— 51
Investment income	— 77	— 68	— 49	— 29	18	72	— 54
Government, not included elsewhere	16	37	71	82	37	31	6
Other services	103	— 31	— 23	23	82[f]	54	28
Total goods and services	125	—150	85	— 29	1,635	1,416	219
Donations							
Private	— 36	— 25	— 68	— 58	8	81	— 73
Official	— 5	— 5	— 4	-	-	-	-
Total current transactions	84	—180	13	— 30	1,643	1,497	146
Movement of capital							
Private	6	6	2	— 22	17	36	— 19
Official and banking institutions							
Long-term	13	308	— 42	55		31	— 31
Short-term	37	— 45				108	— 108
Total movement of capital	56	269	— 40	33	17	176	— 159
Errors and omissions	—140	— 89	27	— 3			13

Source: International Monetary Fund, *Balance of Payments Yearbook*, vol. 3, 1949-50.

[a] Wholesale market price.

[b] C.i.f. value.

[c] Includes currency notes advanced to ships for issue to passengers.

[e] Represents net remittances plus collection used to finance ships' stores.

[f] Inward remittances under Rs.10,000 (other than merchandise) were not coded for "purpose" in the first three quarters. Such remittances are included here even though they may fall under other

International Monetary Fund and the International Bank for Reconstruction and Development during 1946 and 1947 and the purchase of a pensions annuity from the United Kingdom in 1948. The short-term capital movement under "Official and banking institutions" represents largely the use of foreign-exchange assets and of International Monetary Fund resources. The capital account excludes the payment of sterling assets equal to Rs. 1,504 million and gold equal to Rs. 20 million to Pakistan in 1948.

The deficits were rather large, the peak having been reached in 1949; they were met mainly by the running down of foreign-exchange balances, but also by the use of the resources of the International Monetary Fund and the balances accumulated under the barter agreements with Japan, Argentina and the USSR, and the transfer of readily marketable Indian securities held by the Reserve Bank of India for the account of foreign institutions such as the Ceylon Currency Board.

Table 97. India: Balance of Payments, 1946-50
(Net credits in million Indian rupees)

	1946[a]	*1947*[a]	*1948*[b]	*1949*[b]	*1950*[bc]
Current transactions					
Merchandise transactions					
Exports, f.o.b.	3,468	4,735	4,366	4,260	5,401
Imports, c.i.f.	—3,888	—5,347	—4,935	—6,282	—5,093
Balance	— 420	— 612	— 568	—2,022	308
Non-monetary gold movement	— 5	— 143	— 1	–	–
Foreign travel	— 35	— 47	— 40	— 90	— 141
Transportation and insurance	32	24	129	178	192
Government, not included elsewhere	423	— 207	— 559[d]	— 173[d]	18
Investment income	13	54	— 178	— 179	— 228
Other services	— 276	— 368	89	168	153
TOTAL, goods and services	— 268	—1,299	—1,128	—2,118	302
Donations					
Private	–	105	99	103	105
Official	— 60	— 20	–	–	–
TOTAL, current transactions	— 328	—1,214	—1,029	—7,015	407
Movement of capital and monetary gold					
Private	— 194	— 814	— 163	— 217	— 142
Official and banking institutions					
Long-term	— 237[e]	—1,481[e]	—2,198[f]	78	94
Short-term	621	2,690	3,871	1,734	— 297
Monetary gold	–	–	–	–	–
TOTAL, movement of capital and monetary gold	190	395	1,510	1,595	— 345
Errors and omissions	138	819	— 481	420	— 62

Sources: International Monetary Fund, *Balance of Payments Yearbook,* Vol. 3, 949-50.

[a] Including present territory of Pakistan.

[b] Excluding balance of payments with Pakistan and Afghanistan.

[c] Provisional.

[d] Including the purchase of defence stores from the United Kingdom under the ndo-UK Financial Agreement (Rs.600 million in 1948 and Rs.119 million in 1949).

[e] Including subscriptions to International Monetary Fund and International Bank or Reconstruction and Development (Rs.132 million in 1946 and Rs.1,456 million in 947) the greater part of which was paid in Indian currency.

[f] Including purchase of pensions annuity, Rs.2,240 million.

Federation of Malaya and Singapore

The trade balance of Malaya (i.e., the Federation of Malaya and Singa
pore) was passive during the years 1946-1949. In 1950 there was a ver
large active balance of $US 347 million. The Federation of Malaya an
Singapore usually incur deficits on current account owing to the remit
tances of interest, dividends, etc. on foreign capital invested in their terri
tories. However, because of the *entrepôt* trade of Singapore there ar
invisible receipts as well. In 1949 profits of *entrepôt* trade were estimate
at £5 million and total invisible receipts at £20 million, of which the larges
item was the sum of £19 million, representing the military expenditure o
the United Kingdom Government. Payments of interest and dividend
were placed at £3 million. In the post-war years there has been a conside
able inflow of foreign capital for the rehabilitation of the Malayan econ
omy. No precise estimates are available of this capital inflow. Accordin
to the Colombo Plan,[41] a sum of about £40 million has been made availabl
by the United Kingdom Government in the form of grants and interest-fre
loans towards war damage compensation, and a further sum of £8 millio
under the Colonial Development and Welfare Act, aside from a loan
£8 million on the London market.

Pakistan

Table 98 contains partial estimates of Pakistan's balance of paymen
covering a period of two and a half years from 1 January 1948, when th
recording of its foreign-exchange earnings and expenditure was separate
from that of India, to 30 June 1950, divided into five equal periods
six months each. They are based on exchange control records, and exclu
barter and such other transactions which do not involve receipts
payments in foreign exchange, as well as transactions with India, Tibe
Nepal, and Afghanistan, because the available data regarding them a
incomplete.

According to these partial estimates, the great bulk of the receipts
derived from exports, which account for 87 per cent, receipts for invisib
items being only about 13 per cent of the total. The proportion of t
"invisibles" to the total receipts is further reduced if allowance is made f
the fact that more than two-fifths of the amount involved (Rs. 130 millio
is accounted for by a payment by the United Kingdom Government duri
January-June 1949 in final settlement of certain outstanding claims.

As regards payments, about 54 per cent of the total was accounted f
by imports on private account. Payments, including imports, on gover
ment account amounted to about 34 per cent.

The distribution of receipts by currency areas (see table 99) sho
that if transactions with India and the payment of Rs. 130 million fr
the United Kingdom Government referred to above are excluded, recei

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[41] *The Colombo Plan*, p. 33.

Table 98. Pakistan: Balance of Payments,[a] 1948-1950

(Net credit in million rupees)

Current transactions	*Jan./June 1948*	*July/Dec. 1948*	*Jan./June 1949*	*July/Dec. 1949*	*Jan./June 1950*	*Total*
Merchandise trade and services on private accounts						
Exports	416.6	288.2	516.4	323.9	545.7	2,090.8
Imports	—100.3	—265.2	—490.6	—359.1	—390.2	—1,605.4
Balance	316.3	23.0	25.8	— 35.2	155.5	485.4
Services	4.9	— 22.3	47.8	— 49.2	— 80.6	— 195.0
Merchandise and services government account	—104.4	—247.6	—186.5	—156.4	—183.8	— 878.7
Total current transactions (surplus + deficit —)	+216.8	—246.9	—208.5	—240.8	—108.9	— 588.3
Movement of capital and monetary gold						
Changes in gold and foreign-exchange assets	—458.0	—898.2	—239.0	674.9	21.7	— 898.6
Offsetting items						
Investments in Pakistan	0.7	1.0	5.1	3.7	0.4	10.9
Received from India under monetary agreement	266.7	1,090.4	399.4[b]	–	79.3	1,835.8
Received from India under the trade and payments agreements	–	–	119.6	–	–	119.6
Changes in other assets and liabilities	5.6	15.6	8.8	— 27.1	— 5.2	— 2.3
Allowances for devaluation of sterling etc.	–	–	–	—433.0	–	— 433.0
Net capital movement	185.0	+208.8	+293.9	+218.5	+ 96.2	+ 632.4
Errors and omissions	— 31.8	+ 38.1	— 85.4	+ 22.3	+ 12.7	— 44.1

Source: Data supplied by the Government.

[a] India, Tibet, Nepal and Afghanistan are excluded from the current account but certain very large transactions with India are included in the capital account.

[b] After allowing for the payment of Rs.23.5 million in sterling to India for cost of military installations located in Pakistan.

from the dollar and sterling areas taken together are about equal to the receipts from other countries. The importance of countries outside the dollar and sterling areas on the receipt side of the balance of payments is herefore considerable. On the other hand, payments to the dollar and terling areas amount to 72 per cent of the total. The balance of payments on current account shows a heavy deficit with the dollar as well as the terling area and a considerable surplus with countries outside these areas.

Pakistan has had an over-all deficit which for the two-and-a-half-year eriod amounts to Rs. 588 million. The capital account shows a great ncrease in gold, dollar and sterling assets, which is mainly accounted for y receipt from India of a large part of Pakistan's share of the assets eld against undivided India's note issue. The deficit on current account rose through the running down of sterling balances. The net disinvestment during the two-and-a-half-year period amounts to Rs. 632 million,

Table 99. Pakistan: Current Transactions in Balance of Payments by Currency Areas[a]

(In million rupees)

	Jan./June 1948	July/Dec. 1948	Jan./June 1949	July/Dec. 1949	Jan./June 1950	Total
Dollar area						
Receipts	60.2	50.8	91.4	22.2	59.0	283.6
Payments	79.7	62.3	193.6	73.5	97.5	506.6
Balance	— 19.5	— 11.5	—102.2	— 51.3	— 38.5	— 223.0
Sterling area						
Receipts	114.2	106.6	332.2	165.0	220.1	938.1
Payments	104.9	420.9	478.2	357.5	382.1	1,743.6
Balance	+ 9.3	—314.3	—146.0	—192.5	—162.0	— 805.5
Other countries						
Receipts	272.2	162.8	265.0	175.4	306.8	1,182.2
Payments	45.2	83.9	225.3	172.4	215.2	742.0
Balance	+227.0	+ 78.9	+ 39.7	+ 3.0	+ 91.6	— 440.
Total (all countries)						
Receipts	446.6	320.2	688.6	362.6	585.9	2,403.
Payments	229.8	567.1	897.1	603.4	694.8	2,992.
Balance	+216.8	—246.9	—208.5	—240.8	—108.9	— 588.

[a] Excluding India, Tibet, Nepal and Afghanistan.

which balances the deficit on current account after allowing for error omissions and overlappings. If allowance is made for Rs. 120 millio received from India in sterling on current account under the trade an payments agreement, the net disinvestment is reduced to Rs. 512 millio

As pointed out earlier, the estimates do not include current transactio with India. There is reason to believe that the balance with that countr on current account is heavily in Pakistan's favour. According to or estimate,[42] Pakistan's payment transactions with India for the period fro 1 July 1948 to the end of December 1949, i.e. one and a half years o of the total two and a half years covered by the above estimates, result in a surplus on current account of Rs. 431 million. The deficit on t Indian side was financed, according to the same estimate, through offici channels to the extent of Rs. 93 million and the balance, apart from erro and omissions, by the export of "India" currency notes to Pakistan. this estimate is correct, the difference between Pakistan's surplus wi

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[42] See the *Reserve Bank of India Bulletin*, February 1950, pp. 82-91.

Table 100. Philippines: Balance of Payments, 1946-50

(Net credits in million Philippine pesos)

	1946	*1947*	*1948*	*1949*	*1950*[a]
urrent transactions					
erchandise trade					
Exports, f.o.b.	162.4	540	654	522	674
Imports, f.o.b.	—830.3	—1,319	—1,187	—1,173	—685
Balance	—667.9	— 779	— 535	— 651	— 11
on-monetary gold movement	–	5	14	20	— 24
oreign travel	— 6.5	— 8	— 7	— 8	— 26
ransportation	— 70.7	— 113	— 131	— 131	— 59
nsurance	— 11.0				
nvestment income	— 3.0	— 40	— 54	— 60	— 30[b]
overnment, not included elsewhere	602.0	555	550	316	203
iscellaneous	–	— 20	— 36	— 60	— 52
Total goods and services	—157.1	— 400	— 197	— 574	49
onations					
Private	— 21.0	26	40	31	23
Official	128.6	190	260	406	333
Total current transactions	— 49.5	— 184	103	— 137	405
ovement of capital and monetary gold					
rivate	–	64	56	12	111
fficial					
Long-term	60.1	82	21	— 9	— 15
Short-term	39.6	22	104	323	—189
onetary gold					
Total movement of capital and monetary gold	99.7	168	181	326	—315
rrors and omissions	— 50.2	16	— 284	— 189	— 86

Sources: International Monetary Fund, *Balance of Payments Yearbook*, Vol. 3, 949-50.

[a] Preliminary.

[b] Excluding undistributed profits.

ndia and its deficit with the rest of the world on current account is not kely to be very large. Although the surplus with India may not be nmediately available in its entirety for financing the deficit with the rest f the world, there is no indication that the country has been living on s capital.

Figures for Pakistan's balance of payments since the end of June 1950 e not yet available. However, the foreign-exchange assets of the State ank of Pakistan increased by about Rs. 500 million from 30 June 1950 30 March 1951. The outlook for Pakistan's trade improved substantially a result of the trade agreement with India at the end of February 1951, hich provides for the resumption of normal trade relations between e two countries.

Philippines[43]

Significant features of the post-war balance of payments of the Philip pines are the heavy merchandise deficits and the receipts of funds fror the United States Government. The year 1950 recorded a striking improve ment in the balance of trade, which showed a negative balance of onl P.11 million. This was made possible by stringent import and exchang controls and by some increase in exports. Two major credit items in th post-war years have been receipts under "Government, not included els where", representing expenditures by the United States Government o defence, war veterans, etc. and donations, including payments by th United States Government in connexion with war damage claims, surplu property, and services by United States Government agencies. The iter "Government, not included elsewhere", has been steadily declining sinc 1946. Other current items include outward payments for transportatio and insurance, investment income, and foreign travel.

On capital account a significant feature is the appreciable decline i the monetary reserves shown under official short-term capital movemen This was largest in 1949 when the payments crisis developed, and wa reversed in 1950 by exchange control. The inflow of long-term priva capital from 1947-1949 aggregated P.132 million, i.e., an annual averag of P.43 million. Regarding official long-term capital, mention may be mad of the United States Reconstruction Finance Corporation loan of P.12 million and the sale by the Philippines of United States Government bon to the value of P.23 million.

In 1946 there was a drawing on foreign-exchange assets to the exte of P.406 million, even though large sums were received from the Unit States Government under military expenditure, because exports were a very low level. Such financing was done on a considerably reduced sca in 1947 and 1948, amounting respectively to P.75 million and P.70 millio and was again resorted to on a large scale in 1949 to the extent of P.3 million. During 1947 and 1948 the Philippines was able to avoid a su stantial decline in its foreign-exchange assets on account of large-sca United States grants and credits of P.490 million, and sizable priva donations and some capital movements, both amounting to P.230 m lion. In 1949 extensive drawing on foreign-exchange assets was fou necessary, because the deficit on goods and services was the highest record in post-war years.

Thailand

Thailand had a considerable positive balance on merchandise accou in 1948, 1949 and 1950, as against relatively small merchandise deficits 1946 and 1947. Other items on current account in the balance of payme

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[43] For further analysis of the balance-of-payments problems of the Philippines, *Report to the President of the United States by the Economic Survey Mission to* *Philippines,* Washington, October 1950, especially chapters VI, VII, XII, and XV; a International Monetary Fund, *The Bell Report and the Philippines Payments Probl* by E. M. Bernstein, November 1950.

Table 101. Thailand: Balance of Payments, 1946-50

(In million dollars)

	1946	1947	1948	1949	1950		
	(Net credits)				*Credit*	*Debit*	*Net credit*
Current transactions							
Merchandise							
Exports, f.o.b.	45.3	84.2	213.7	..	270.0		270.0
Imports, c.i.f.	— 56.9	—100.2	—139.0	..		195.0	—195.0
Balance	— 11.6	— 16.0	74.7	..			75.0
Non-monetary gold	— 0.3	— 14.2	-	..		0.1	— 0.1
Foreign travel	0.9	1.8	2.7	..	2.1	0.6	1.5
Transportation and insurance	— 0.9	— 0.3	— 0.2	..	-	0.4	— 0.4
Investment income	-	— 4.9	— 0.7	..	0.5	0.3	0.2
Government expenditures	5.1	— 4.5	— 4.7	..	1.1	10.2	— 9.1
Miscellaneous	-	-	-	-	-	0.1	— 0.1
Total goods and services	— 6.8	— 38.1	71.8	..	273.7	206.6	67.1
Donations							
Private	-	-	-	..	-	-	-
Official	— 4.2	— 3.3	— 2.7	..		2.5	— 2.5
Total current transactions	— 11.0	— 41.4	69.1	..	273.7	209.1	64.6
Capital and monetary gold							
Private	-	-	-	-	-	-	-
Official and banking institutions							
Long-term	12.1	— 2.5	— 2.8	— 20.0	-	0.6	— 0.6
Short-term	— 24.4	3.2	— 65.5	6.5	-	72.2	— 72.2
Monetary gold	9.3	0.1	-	— 39.8	-	-	-
Total capital and monetary gold movement	— 3.0	0.8	— 68.3	— 53.3	-	72.8	— 72.8
Errors and omissions	14.0	40.6	— 0.8	..			8.2

Source: International Monetary Fund, *Balance of Payments Yearbook,* Vol. 3, 1949-50.

are relatively unimportant. Government expenditures, resulting in net out-payments, have been increasing in the post-war period. Thailand has been receiving a net income of $US 2 million annually from foreign travel and its net out-payments on investment income are very small. Private capital movements, to the extent indicated in the figures, are negligible. The surplus on current transactions is reflected in additions to the long-term and short-term assets of official and banking institutions. The short-term assets increased every year except in 1947 and 1949, when there was a small decline. In the five years from 1946 to 1950 the short-term assets showed an increase of nearly $US 150 million. Long-term assets in the same period increased by nearly $US 14 million. There was a increase of $US 40 million in monetary gold in 1949, representing the restoration of Thailand's gold holdings in Japan, which were blocked immediately after the war. Compensatory official financing to meet the deficits did not prove necessary in any year.

Japan

Heavy merchandise deficits during 1946 to 1949, large-scale official receipts in the form of donations representing American aid imports, negative balances under transportation and insurance, and small net payments under investment income characterize Japan's balance of payments on current account. In 1950 there emerged a surplus on merchandise account, if the American aid imports be excluded in computing the trade balance. American aid imports, classified as donations, occupy an important place in Japan's receipts, aggregating $1,932 million, between September 1945 and December 1950. As against this, Japan's post-war merchandise deficits totalled $1,023 million.

Private capital movements have been negligible. Official long-term capital represents United States surplus-property credits. Under short-term capital movements, there were on the one hand United States Commodity Credit Corporation cotton credits and repayments; on the other there were accumulations of foreign-exchange balances, both dollar and sterling.

The payments deficits were met principally by appropriations and credits from the United States Government, which, because they exceeded the deficits to be met, enabled increases to be effected in Japan's foreign-exchange assets from 1947 to 1949. Such increases were relatively small in 1947, but steadily increased, reaching a high figure of $482 million in 1950 under "short-term official capital movement". This was brought about in 1950 by a combination of factors, such as the transformation of the merchandise deficit into a surplus and increased receipts from expenditures of Allied forces in Japan and from other government items, even though receipts in 1950 under official grants and donations were the lowest since the war. The special position of Japan in relation to the Korean war is reflected in the increased foreign-exchange receipts from exports and other items and the remarkable increase in foreign-exchange assets.

Table 102. Japan: Balance of Payments, 1946-50
(In million dollars)

	1946[a]	1947	1948	1949	1950		
	(Net credits)				Credit	Debit	Net credit
Current transactions							
Merchandise trade							
Export, f.o.b.	65.3[b]	181.6	262.3	533.3	911.2[c]		911.2
Import, c.i.f.	—303.3[b]	—449.0	—546.6	—728.1		969.9[d]	—969.9
Balance	—238.0	—267.4	—284.3	—194.8			— 58.7
Non-monetary gold movement	1.6	1.8	2.6	2.9	3.8	-	3.8
Services							
Foreign travel	-	-	-	7.2	22.5	2.0	20.5
Transportation	36.2	— 88.4	—120.2	—164.0	7.0	3.0	4.0
Insurance					0.1	0.2	— 0.1
Investment income	-	— 3.4	— 2.2	— 1.3	0.3	7.1	— 6.8
Government, not included elsewhere	-	-	18.8	48.6	67.4	0.3	67.1
Miscellaneous	-	1.4	1.5	— 5.0	36.9	14.2	22.7
Total goods and services	—272.6	—358.4	—386.8	—306.4	1,049.2	996.7	52.5
Donations							
Private	1.6	0.4	0.6	-	41.4	1.8	39.6
Official	192.9	404.4	461.0	513.5	360.9	-	360.9
Total current transactions	— 78.1	46.4	74.8	207.1	1,451.5	998.5	453.0
Movement of capital and monetary gold							
Private: Long-term	-	-	-	-	2.1	6.0	— 3.9
Short-term	-	-	-	-	0.4	12.1	— 11.7
Official: Long-term	22.4	5.5	3.6	— 17.5	-	0.2	— 0.2
Short-term	59.8	— 63.7	—102.7	—175.8	-	481.6	—481.6
Monetary gold	— 1.6	— 1.8	— 2.6	— 2.9	1.7	5.5	— 3.8
Total movement of capital and monetary gold	80.6	— 60.0	—101.7	—196.2	4.2	505.4	—501.2
Errors and omissions	— 2.5	13.6	26.9	— 10.9	-	-	48.2

Source: International Monetary Fund, *Balance of Payments Yearbook*, Vol. 3, 1949-50.

[a] September 1945 through December 1946.

[b] Including $17.5 million for exports of goods which had been looted during the war.

[c] Includes procurement by United Nations forces of 91.0.

[d] C.i.f.

Appendix A1

Exports by Major Commodity Groups of Five ECAFE Countries

(In million dollars)

	Food, drink and tobacco	*Raw materials*	*Articles mainly manufactured*	*Other*	*Total*
Burma					
1938	81	84	9	–	174
1948	181	37	7	–	225
1949	185	25	9	–	220
1950	124	11	3	–	138
Ceylon					
1938	68	28	1	–	96
1948	193	89	1	–	283
1949	194	81	1	–	277
1950	186	127	1	–	314
India					
1938	143	260	175	–	579
1948	238	328	697	–	1,264
1949	319	266	605	–	1,190
1950	249	215	605	–	1,069
Malaya					
1938	34	185	104	–	324
1948	74	489	248	–	811
1949	66	394	257	–	718
1950	76	883	334	–	1,293
Philippines					
1939[a]	59	77	20	–	157
1948	29	224	43	1	297
1949	56	146	40	1	243
1950	250	23	54	2	329
Total of above five countries					
1938	385	635	309	1	1,330
1948	715	1,167	996	1	2,880
1949	820	912	912	1	2,648
1950	885	1,257	997	2	3,143

Sources: National trade statistics. The rough classification of major commodit groups, which is not available for Burma and the Philippines, is made by the ECAFE secretariat. Preliminary data are all in national currencies, which are converted int dollars according to the conversion factors supplied by the International Monetar Fund.

Scope:

Burma: 1938 refers to fiscal year 1 April 1938 to 31 March 1939. 1948, 1949 an 1950 refer to fiscal year 1 October of the preceding year to 30 September of the yea given. For 1948 and 1949, silver bullion and coin were excluded. Exports are fo domestic produce and imports for domestic consumption.

Ceylon: Excluding postal articles. Exports refer to domestic produce only.

India: For 1938 and January to February 1948, ports of present Pakistan are ir cluded. Parcel post is excluded. Exports of 1938 refer to domestic produce only. Livin animals are included in "Other".

Malaya: Excludes parcel post, coin and bullion.

Philippines: Excludes gold. Exports refer to domestic produce only.

[a] 1939 for the Philippines, as 1938 data are not available.

Appendix A2

Imports by Major Commodity Groups of Five ECAFE Countries

(In million dollars)

	Food, drink and tobacco	*Raw materials*	*Articles mainly manufactured*	*Other*	*Total*
Burma					
1938	19	1	51	5	76
1948	24	2	140	10	176
1949	22	1	83	5	111
1950	14	1	75	3	93
Ceylon					
1938	39	12	34	–	86
1948	157	32	108	–	298
1949	147	30	111	–	289
1950	125	25	95	–	245
India					
1938	75	133	341	1	551
1948	259	320	813	–	1,392
1949	346	446	950	–	1,742
1950	194	374	485	–	1,053
Malaya					
1938	95	76	140	–	311
1948	307	142	300	–	840
1949	298	112	386	–	796
1950	259	266	420	–	945
Philippines					
1939[a]	30	15	74	4	123
1948	115	65	325	23	568
1949	150	64	334	21	569
1950	71	54	205	11	340
Total of above five countries					
1938	258	237	640	10	1,147
1948	902	561	1,776	33	3,274
1949	963	653	1,864	26	3,507
1950	663	719	1,280	14	2,676

Sources and note: See under Appendix A1.

Appendix B1
Inter-Regional Trade of ECAFE Countries: Exports
(In million dollars)

Exporting countries	Destination									
	ECAFE countries	Japan	United States	Canada	United Kingdom	Other sterling-area countries outside the region	OEEC† countries of continental Europe	Near East	Rest of the world	Grand total[a]
Sterling-area countries:										
Burma										
1938-39	128.2	3.5	0.3	0.6	25.7	4.8	14.4	1.5	5.0	184.0
1946-47	126.8	..	2.0	..	9.9	–	0.2	0.1	2.5	141.5
1947-48	182.6	0.3	2.0	..	26.8	–	1.8	–	3.6	217.1
1948	151.4	1.0	2.2	..	17.1	2.4	2.0	0.4	1.3	177.8
1949	125.6	3.9	0.3	..	8.9	(1.8)	1.2	0.2	0.6	142.5
1950	..	..	0.7*	..	7.1*	..	3.0*	..	144.3	115.1
Jan.-June	45.3	13.0	0.1	–	2.8	3.5	1.4	–	9.0	75.1
July-Dec.	..	..	0.6	..	4.3	..	1.6	..	73.5	80.0
Ceylon										
1938	3.8	0.5	12.2	3.4	51.9	9.4	7.4[e]	1.7	6.1	96.4
1946	11.3[b]	–	26.4	3.9	120.6	36.6	1.5	6.4	8.9	215.6
1947	11.7[b]	0.1	36.0	17.1	92.0	49.9	8.5	17.9	18.6	251.8
1948	18.0	0.4	49.8	12.0	90.8	52.0	20.4	19.1	20.1	282.6
1949	15.6	1.2	31.1	12.4	94.3	44.1	25.8	35.3	33.5	293.3
1950	14.7[b]	0.3	69.9	16.2	77.8	(32.0)	40.6	13.8	48.5	313.8
Jan.-June	4.0[b]	0.1	26.8	7.3*	25.2+	(17.5)	21.9	6.1	18.8	127.7
July-Dec.	10.7[b]	0.2	43.1	8.9	52.6	(14.5)	18.7	7.7	29.7	186.1
Hong Kong										
1938	103.3	2.0	15.7	0.7	3.6	5.5	10.1	0.1	13.8	154.8
1946	149.3	0.1	21.1	0.2	4.2	1.8	3.8	0.7	11.6	192.8
1947	187.7	3.9	38.2	0.7	9.6	14.4	22.6	1.5	27.9	306.5
1948	247.3	12.4	38.4	1.9	18.9	15.8	15.0	1.0	48.0	398.7

1950	446.7	21.1	54.0	1.7	29.4	19.6	30.1	1.6	46.0	650.2
Jan.-June	154.8	9.6	20.3	0.8	17.1	7.7	8.2	0.5	30.5	249.5
July-Dec.	291.9	11.5	33.7	0.9	12.3	11.9	21.9	1.1	15.5	400.7
India										
1938-39	104.5	56.2	54.1	8.1	221.2	39.0	110.6	15.8	34.3	643.8
1946-47	135.9	–	204.8	24.7	225.6	98.8	66.0	31.0	183.5	970.3
1947-48	139.8	0.2	239.2	34.8	319.6	120.4	112.1	46.3	221.7	1,234.1
1948	270.2	13.9	213.6	25.4	297.0	145.3	112.1	42.4	158.3	1,278.2
1949	207.2	10.2	197.4	25.3	323.8	109.4	124.1	49.4	180.4	1,227.2
1950	242.2	16.4	214.4	26.6	248.9	111.8	108.6	38.5	131.8	1,139.2
Jan.-June	107.6	8.1	94.6	13.5	104.4	71.1	31.9	20.3	59.1	510.6
July-Dec.	134.6	8.3	119.8	13.1	144.5	40.7	76.7	18.2	72.7	628.6
Malaya and Singapore										
1938	54.0	30.7	97.3	10.0	46.1	15.2	49.2	..	22.6	325.1
1946	66.9	–	121.8	6.5	102.1	11.4	16.2	2.4	11.2	338.5
1947	141.2	6.4	206.3	21.0	97.9	30.0	62.2	3.4	40.4	608.8
1948	212.3	9.2	215.4	20.8	110.4	46.1	118.7	5.0	72.7	810.6
1949	188.7	12.7	181.4	15.4	88.3	67.7	114.7	5.0	44.1	718.0
1950	295.7	*37.7*	*342.4*	*32.1*	*178.7*	*75.4*	*232.8*	*4.3*	95.6	*1,294.7*
Jan.-June	86.0	*5.8*	*112.3*	*7.9*	*57.0*	*28.1*	*63.6*	*2.4*	*95.8*	*395.3*
July-Dec.	209.7	*31.9*	*230.2*	*24.2*	*121.8*	*47.3*	*169.2*	*1.9*	*232.4*	*899.4*
Pakistan										
1948-49	*92.4*	*3.5*	*39.4*	*1.0*	*45.4*	*1.7*	*56.6*	*0.6*	*36.6*	*277.2*
1949	78.5	16.4	40.1	1.2	60.9	2.0	57.4	2.9	44.5	303.9
1950	57.9	*44.2*	*44.0*	*1.4*	*62.4*	*9.6*	*118.3*	*0.7*	*62.9*	*401.4*
Jan.-June	27.7	9.6	21.2	0.6	34.3	2.7	48.3	0.2	39.8	184.4
July-Dec.	30.2	34.6	22.8	0.8	28.1	6.9	70.0	0.5	23.1	217.0
Non-sterling-area countries										
China										
1936	52.4	30.4	55.4	1.6	19.3	4.0	30.6	1.3	15.0	210.0
1946	58.3	4.7	58.9	0.9	6.7	1.0	8.1	2.5	(11.1)	152.2

Appendix B1 (continued)

	Destination									
Exporting countries	*ECAFE countries*	*Japan*	*United States*	*Canada*	*United Kingdom*	*Other sterling-area countries outside the region*	*OEEC† countries of continental Europe*	*Near East*	*Rest of the world*	*Grand total*[a]
China (cont.)										
1947	111.9	4.5	54.4	0.8	15.3	13.5	18.0	4.2	(10.9)	233.5
1948	94.6	9.4	34.2	1.2	6.6	4.8	5.9	3.7	(10.0)	170.4
1949	256.3*	44.4*	108.8*	3.3*	14.8*	..	21.4*	6.4*	..	..
1950	..	..	149.5*	4.8*	30.2*	..	45.8*	0.9	..	..
Jan.-June	..	..	58.6*	3.0*	6.0*	..	7.4*	..	..	..
July-Dec.	..	..	90.9*	1.8*	24.2*	..	38.4*	..	..	..
Indochina										
1938	20.0	2.5	7.2	–	1.7	..	42.1	..	8.4	81.9
1947	23.5	–	5.3	–	0.2	–	(30.8)	..	6.8	66.6
1948	27.4	2.7	2.1	–	–	–	(40.7)	..	20.3	93.2
1949	20.4	2.4	0.8	–	0.3	–	32.6	..	11.1	67.6
1950	17.8	–	*14.9*	–	1.0	..	30.8[b]	..	9.5	*74.0*
Jan.-June	6.9	–	*6.0*	–	0.4+	..	9.3[b]	..	7.3	*29.9*
July-Dec.	10.9	–	*8.9*	–	0.6	..	21.5	..	2.2	*44.1*
Indonesia										
1938	86.3	11.3	49.1	0.7	19.3	23.0	110.7	16.1	46.0	362.5
1946	4.6	–	26.4	–	1.0	0.2	26.0	..	0.5	58.7
1947	31.3	1.7	24.1	–	3.4	2.2	62.3	..	7.3	132.3
1948	88.4	9.6	69.1	2.6	8.0	5.6	164.6	0.8	45.9	394.6
1949	146.8	12.2	84.0	1.0	23.8	9.4	198.3	..	58.9	534.4
1950[c]	251.2	8.7	114.8	0.4	26.0	15.6	218.6	..	59.1	694.4
Jan.-June[d] ...	87.9	4.3	42.0	0.2	10.0	6.8	89.4	..	42.3	282.9
July-Dec.	163.3	4.4	72.8	0.2	16.0	8.8	129.2	..	16.8	411.5
Philippines										
1938	3.3	7.5	121.7	0.3	3.0	(0.5)	7.0	..	3.7	147.0
	11.5	–	39.0	1.6	2.4	–	7.0	–	2.7	64.2

1947	19.6	2.3	153.2	5.7	8.5	4.5	19.5	2.2	51.3	266.8
1948	16.7	15.5	209.1	5.7	3.3	0.9	30.3	0.6	43.9	326.0
1949	10.7	11.3	182.9	3.6	3.0	3.6^{b}	32.4	1.3	5.0	253.8
1950	6.7	21.3	242.7	4.4	5.4	1.2	37.1	0.6	12.0	331.6
Jan.-June	3.4	6.9	110.3	2.6	2.7	0.6	8.7	0.2	6.7	142.1
July-Dec.	3.3	14.4	132.4	1.8	2.7	0.6	28.4	0.4	5.3	189.5
Thailand										
1938-39	60.9	1.0	0.2	..	1.3	1.0	(6.1)	..	6.8	77.3
1946	28.8	–	5.7	–	0.2	0.2	1.1	–	11.0	45.7
1947	60.7	–	5.6	–	1.7	0.2	6.0	0.3	27.0	95.3
1948	161.1	0.6	56.2	..	4.6	..	8.7	0.2	17.0	248.4
1949	201.4	18.7*	48.0*	..	11.6*	..	14.3*	..	..	271.1^{e}
1950	..	..	75.3*	1.0*	10.6*	..	21.6*	..	..	282.5^{e}
Jan.-June	..	..	24.2*	0.8*	5.5*	..	8.0*	..	..	118.7^{f}
July-Dec.	..	..	51.1*	0.2*	5.1*	..	13.6*	..	..	163.8^{f}
Total of sterling-area countries										
1938	393.8	92.9	179.6	22.8	348.5	73.9	191.7	(19.1)	81.8	1,404.1
1946	490.2	(1.0)	376.1	(35.3)	462.4	148.6	87.7	40.6	217.7	1,858.7
1947	663.0	10.9	521.7	(73.6)	545.9	214.7	207.2	69.1	312.2	2,618.3
1948	991.6	40.4	558.8	(61.1)	579.6	263.3	324.8	68.5	337.0	3,225.1
1949	915.1	60.7	503.1	(57.9)	608.9	(247.1)	341.8	95.9	381.2	3,213.5
1950	(1,058.4)	(119.7)	725.4	(78.0)	604.3	(248.3)	533.4	(58.9)	529.1	3,954.4
Jan.-June	425.4	46.2	275.3	(30.1)	240.8	(130.6)	175.3	(29.5)	253.0	1,542.6
July-Dec.	(677.1)	(86.5)	450.2	(47.9)	363.6	(121.3)	358.1	(29.4)	446.9	2,411.8
Total of four non-sterling-area countries[g]										
1938	170.5	22.3	178.2	(1.0)	25.3	(24.5)	165.9	(16.1)	64.9	668.7
1946	(44.9)	(–)	(71.1)	(1.6)	(3.6)	(0.4)	(34.1)	(–)	(14.2)	(168.6)
1947	135.1	4.0	188.2	(5.7)	13.8	6.9	118.6	(2.5)	92.4	561.0
1948	293.6	28.4	336.5	(8.3)	15.9	(6.5)	244.3	(1.6)	127.1	1,062.2

Appendix B1 (continued)

Exporting countries	*Destination* *ECAFE countries*	*Japan*	*United States*	*Canada*	*United Kingdom*	*Other sterling-area countries outside the region*	*OEEC† countries of continental Europe*	*Near East*	*Rest of the world*	*Grand total*[a]
Total of four non-sterling-area countries[g] *(cont.)*										
1949	379.3	44.6	315.7	(4.6)	38.7	(13.0)	277.6	(1.3)	(75.0)	(1,126.9)
1950	(275.7)	(30.0)	447.7	5.8	43.0	(16.8)	308.1	(0.6)	(111.4)	1,382.5
Jan.-June	(98.2)	(11.2)	182.5	3.6	18.6	(7.4)	115.4	(0.2)	(65.6)	573.6
July-Dec.	(177.5)	(18.8)	265.2	2.2	24.4	(9.4)	192.7	(0.4)	(45.8)	808.9
Grand total[g]										
1938	564.3	115.2	357.8	(23.8)	373.8	(98.4)	357.6	(35.2)	146.7	2,072.8
1946	(535.1)	(1.0)	(447.2)	(36.9)	466.0	(149.0)	(121.8)	(40.6)	(231.9)	2,027.3
1947	798.1	14.9	709.9	(79.3)	559.7	221.6	325.8	(71.6)	404.6	3,179.3
1948	1,285.2	68.8	895.3	(69.4)	595.5	(269.8)	569.1	(70.1)	464.1	4,287.3
1949	1,294.4	105.3	818.8	(62.5)	647.6	(260.1)	619.4	(97.2)	456.2	4,340.4
1950	(1,334.1)	(149.7)	1,173.1	(83.8)	647.3	(265.2)	841.5	(59.5)	640.5	5,336.9
Jan.-June	(523.6)	(57.4)	457.8	(33.7)	259.4	(138.0)	290.7	(29.7)	318.6	2,116.2
July-Dec.	(854.6)	(105.3)	715.4	(50.1)	388.0	(130.7)	550.8	(29.8)	492.7	3,220.7

Sources: For 1938, 1946, 1947 and 1948, except 1948 for Burma, Pakistan and Thailand, data are from International Monetary Fund, *Intra-regional Trade of ECAFE countries.* Italicized figures are taken from national sources and converted into dollars according to conversion factors supplied by the Fund. Other figures are taken from *Direction of International Trade,* published jointly by the International Monetary Fund, the International Bank for Reconstruction and Development and the Statistical Office of the United Nations. Figures in brackets are incomplete data.

Notes:

† Organization of European Economic Co-operation.

* Derived data based on statistics of other trading parties pub-

[a] Figures are not comparable with those in table 74, because of differences in methods of compilation.

[b] Including data from various sources as mentioned under "Sources".

[c] Estimated from data for January to November.

[d] Estimated from data for January to July.

[e] Data are from balance-of-payment statistics supplied by the government. Data which have been adjusted to take into account the multiple exchange rates are not comparable with export figures to different destinations.

[f] Estimated.

[g] China is excluded, because data are incomplete.

Appendix B2

Inter-Regional Trade of ECAFE Countries: Imports

Importing country	Origin									
	ECAFE countries	Japan	United States	Canada	United Kingdom	Other sterling-area countries outside the region	OEEC countries of continental Europe	Near East	Rest of the world	Grand total[a]
Sterling-area countries										
Burma										
1938-1939	49.4	5.4	2.8	(0.1)	15.2	0.6	6.7	1.4	0.4	82.0
1946-1947	44.3	..	4.2	..	34.6	(2.5)	(2.8)	(0.1)	10.4	98.9
1947-1948	57.7[b]	1.3	6.9	..	82.7	(5.8)	5.5[b]	–	16.3	176.2
1948	60.8	1.2	6.4	0.3	84.3	(5.8)	11.2	7.0	3.1	180.1
1949	55.4	5.1	3.3	–	26.9	(1.5)	3.9	4.1	1.1	101.3
1950					25.2*					112.1
Jan.-June	20.8	0.9	1.9	(0.1)	12.9	(0.1)	1.6	1.8	0.1	41.2
July-Dec.	..	..	..	..	12.3	..	..	..	..	70.9
Ceylon										
1938	41.2	5.6	1.9	0.2	17.8	4.4	(4.3)	3.0	7.8	86.2
1946	51.0[b]	0.1	12.7	5.7	33.2	46.1	1.5	10.2	15.7	176.2
1947	60.2[b]	1.9	33.9	20.2	46.3	63.3	8.9	10.3	52.0	297.0
1948	103.6[b]	4.1	22.7	2.5	51.7	67.7	9.5	9.2	26.7	297.7
1949	104.0	5.1	20.2	2.9	51.8	51.2	20.2	20.2	13.9	289.5
1950	105.6	6.5	7.3	4.4	48.3	(18.4)	(8.6)	..	45.9	245.0
Jan.-June	55.9	1.6	3.5	4.0	20.5	7.9	(2.6)	..	23.0	119.0
July-Dec.	49.7	4.9	3.8	0.4	27.8	10.4	6.0	..	23.0	126.0
Hong Kong										
1938	113.3	5.7	16.5	1.9	17.1	5.0	18.7	(0.1)	8.7	187.0
1946	142.3	–	30.1	2.8	11.1	16.4	10.3	0.1	22.0	235.1
1947	167.7	9.2	75.2	5.1	41.4	21.7	39.4	1.5	29.2	390.4
1948	199.4	19.9	97.6	9.1	75.8	24.8	53.8	1.5	41.4	523.3
1949	246.3	19.5	131.7	13.1	88.4	33.3	52.9	1.9	41.6	628.7

Appendix B2 (continued)

Importing country	Origin									
	ECAFE countries	Japan	United States	Canada	United Kingdom	Other sterling-area countries outside the region	OEEC countries of continental Europe	Near East	Rest of the world	Grand total[a]
Hong Kong (cont.)										
1950	311.7	40.2	114.6	8.7	70.8	25.7	58.1	0.5	32.5	662.8
Jan.-June	122.8	5.4	59.3	4.2	37.8	16.8	26.6	0.1	17.5	290.5
July-Dec.	188.8	34.8	55.3	4.5	33.0	8.9	31.5	0.4	15.1	372.3
India										
1938-1939	128.9	58.4	37.8	3.6	184.7	38.1	98.7	27.5	11.9	589.6
1946-1947	62.1	–	164.9	21.7	320.1	84.0	57.2	117.0	185.3	1,012.3
1947-1948	82.1[b]	0.2	364.6	24.2	363.3	83.0	97.8	143.8	184.0	1,346.0
1948	186.0	19.2	315.1	23.9	459.7	138.3	173.6	160.4	89.2	1,565.4
1949	208.5	74.9	281.3	35.3	496.4	153.9	177.0	212.7	107.5	1,747.5
1950	151.8	15.6	211.6	22.1	246.0	166.0	112.9	150.6	36.3	1,112.9
Jan.-June	47.8	5.3	101.1	10.2	119.8	83.9	34.1	69.2	35.8	507.2
July-Dec.	104.0	10.3	110.5	11.9	126.2	82.1	78.8	81.4	0.5	605.7
Malaya										
1938	196.4	7.1	9.8	2.8	58.0	7.4	12.5	..	71.8	313.6
1946	238.6	–	6.6	1.9	47.8	47.7	11.9	10.7	7.5	372.7
1947	330.4	–	64.9	9.2	124.3	59.7	34.1	9.1	11.2	642.9
1948	425.9	6.2	98.4	10.7	159.5	67.8	36.3	21.4	13.4	839.6
1949	404.3	17.6	49.3	8.0	165.5	75.0	51.4	26.2	12.7	810.0
1950	582.0	30.6	29.1	5.4	165.3	48.4	61.3	12.7	11.7	946.5
Jan.-June	205.3	7.8	12.3	3.2	75.4	22.8	25.3	6.5	4.9	363.5
July-Dec.	376.7	22.8	16.8	2.2	89.9	25.6	36.1	6.2	6.7	583.0
Pakistan										
1948-49	170.0	3.0	24.1	2.0	81.6	5.5	24.1	7.3	12.9	330.5
1949	121.9	16.1	38.5	2.7	118.9	5.7	52.9	12.2	41.2	410.1
1950[c]	75.2	49.4	32.6	2.4	90.2	7.9	43.4	14.5	18.9	334.5
Jan.-June	23.6	26.6	14.0	0.7	34.7	1.9	14.7	7.0	12.9	136.1
July-D	51.6	22.8	18.6	1.7	55.5	6.0	28.7	7.5	6.0	198.4

Non-sterling-area countries:										
China										
1936	52.1	45.6	55.1	5.9	32.8	5.5	70.2	–	13.4	280.6
1946	98.1	2.3	322.9	10.2	25.9	9.8	34.2	12.2	199.6	715.2
1947	85.8	8.2	243.3	18.4	33.3	14.1	32.5	27.3	190.2	653.1
1948	42.3	2.0	102.2	9.8	17.0	5.0	14.8	11.6	14.5	219.2
1949	150.7	11.4*	135.7*	13.6*	9.7*	48.0*	..	..	..	368.6*
1950	..	..	70.0*	1.8*	10.1*	..	52.4*	..	..	..
Jan.-June	..	..	39.9*	1.3*	2.4*	..	13.9*	..	..	..
July-Dec.	..	..	30.1*	0.5*	7.7*	..	38.5*	..	..	..
Indochina										
1938	15.1	1.6	2.8	–	1.8	..	31.2	..	4.0	56.5
1946	..	..	..	..	..	..	..	..	..	..
1947	17.4	..	26.7	*1.3*	2.3	2.0	77.9	..	10.7	138.3
1948	20.1	0.8	23.8	*0.3*	4.8	10.1	126.5	0.3	1.5	188.1
1949	20.8	1.0	20.7	0.3	3.6	7.2	173.8	0.2	3.1	230.7
1950	*14.3*	..	*12.1*	0.4	(0.1)	*0.4*	*164.2*	..	*19.6*	*210.7*
Jan.-June	*6.8*	..	*5.2*	..	..	..	..	..	..	*83.9*
July-Dec.	*7.5*	..	*6.9*	..	..	..	..	..	..	*126.9*
Indonesia										
1938	46.3[b]	39.5	33.1	2.0	21.0	9.1	105.9	0.2	9.9	267.0
1946	23.3	–	61.2	0.9	4.0	2.4	11.8	..	3.0	106.6
1947	58.6	23.0	112.6	3.2	23.1	7.0	53.1	..	12.7	293.3
1948	58.9	70.5	96.0	5.5	35.9	33.9	113.2	0.7	12.9	427.5
1949	77.2	39.9	134.7	4.4	53.9	2.4	166.7	..	57.3	536.5
1950[c]	85.4	39.1	83.0	2.9	27.7	2.8	107.1	..	38.9	386.9
Jan.-June[d]	32.7	17.7	36.4	1.1	12.7	0.4	46.0	..	20.4	167.4
July-Dec.	52.7	21.4	46.6	1.8	15.0	2.4	61.1	..	18.5	219.5
Philippines										
1938	9.6	12.7	90.8	1.5	2.7	2.4	11.1	..	1.8	132.6
1946	12.2	..	409.0	6.8	1.3	1.6	2.5	0.1	51.5	485.0
1947	26.3	1.0	528.0	13.8	3.1	1.9	2.0	5.8	17.1	599.0
1948	52.3	2.1	469.6	7.5	5.3	1.3	11.1	5.5	31.3	586.0

Appendix B2 (continued)

Importing country	Origin: ECAFE countries	Japan	United States	Canada	United Kingdom	Other sterling-area countries outside the region	OEEC countries of continental Europe	Near East	Rest of the world	Grand total[a]
Philippines (cont.)										
1949	40.8	16.1	459.8	12.7	5.0	7.7	14.5	0.9	11.2	568.7
1950	23.1	13.3	250.2	8.1	5.1	2.8	11.5	12.3	4.1	330.5
Jan.-June	9.5	9.4	145.5	5.2	2.4	(0.8)	5.0	5.7	3.4	186.9
July-Dec.	13.6	3.9	104.7	2.9	2.7	2.0	6.5	6.6	0.7	143.6
Thailand										
1938-39	27.3	8.4	2.6	..	6.7	0.6	8.1	..	2.0	55.7
1946	*49.7*	–	*3.4*	–	*1.3*	*0.1*	*1.4*	*0.1*	*0.5*	*46.5*
1947	*81.6*	–	*31.2*	*0.3*	*10.2*	*0.6*	*9.0*	*5.3*	*0.2*	*138.4*
1948	122.0	*4.1*	*18.1*	*0.2*	*11.9*	*1.5*	*9.8*	*0.1*	*7.8*	*175.5*
1949	66.9	22.4*	31.5*	0.7*	17.0*	..	20.4*	..	..	205.1[e]
1950	..	..	25.0*	1.1*	19.2*	..	17.0*	..	..	*190.0*[e]
Jan.-June	..	..	12.2*	0.6*	8.1*	..	*7.7**	..	..	*91.2*[g]
July-Dec.	..	..	12.8*	0.5*	11.1*	..	9.3*	..	..	*98.8*[g]
Total of sterling-area ***countries***										
1938	529.2	82.2	68.8	(8.6)	292.8	55.5	140.9	(32.0)	100.6	1,258.4
1946	538.3	(0.1)	218.5	(32.1)	446.8	196.7	83.7	138.1	240.2	1,895.2
1947	698.1	12.6	545.5	(61.7)	658.0	233.5	185.7	164.7	(292.7)	2,852.5
1948	1,145.7	53.6	564.3	48.5	912.6	309.9	308.5	206.8	186.7	3,736.6
1949	1,140.4	138.3	524.3	62.0	947.9	365.8	348.5	277.3	218.0	3,987.1
1950	(1,226.3)	(142.3)	(395.2)	(43.0)	645.8	(266.4)	(290.7)	(178.3)	(145.3)	3,413.8
Jan.-June	476.2	47.6	192.1	22.4	301.1	134.5	104.9	(84.6)	(94.2)	1,457.5
July-Dec.	(770.8)	(95.6)	(205.0)	(20.7)	344.7	(133.0)	(181.1)	(95.5)	109.9	1,956.3
Total of four non-sterling-area-countries[g]										
1938	98.3	62.2	129.3	(3.5)	32.2	(12.1)	156.3	(0.2)	17.7	511.8
1946	(85.2)	..	(473.6)	(7.7)	(6.6)	(4.1)	(15.7)	(0.2)	(55.0)	(648.1)

1948	253.3	77.4	607.5	13.5	57.9	46.8	260.6	6.6	53.5	1,377.1
1949	205.7	79.4	646.7	18.1	79.5	(17.3)	375.4	(1.1)	(71.6)	1,541.0
1950	(122.8)	(52.4)	370.3	(12.5)	52.1	(6.0)	299.8	(12.3)	(62.6)	1,118.1
Jan.-July	(49.0)	(27.1)	199.3	(6.9)	(23.2)	(1.2)	(58.7)	(5.7)	(171.0)	529.4
July-Dec.	(73.8)	(28.3)	171.0	(5.2)	(28.8)	(17.0)	(76.9)	(6.6)	(131.7)	588.8
Grand total[g]										
1938	627.5	144.4	198.1	(12.1)	325.0	(67.6)	297.2	(32.2)	118.3	1,770.2
1946	(623.5)	(0.1)	(692.1)	(39.8)	(453.4)	(200.8)	(99.4)	(138.3)	(295.2)	(2,543.3)
1947	882.0	(36.6)	1,244.0	(80.3)	696.7	245.0	327.7	(175.8)	(333.4)	4,021.5
1948	1,399.0	131.0	1,171.8	62.0	970.5	356.7	569.1	213.4	240.2	5,113.7
1949	1,346.1	217.7	1,171.0	80.1	1,027.4	(383.1)	723.9	(278.4)	(289.6)	(5,528.1)
1950	(1,349.1)	(194.7)	(765.5)	(55.5)	697.9	(272.4)	(590.5)	(190.6)	(207.9)	4,531.9
Jan.-June	(525.2)	(74.7)	391.4	(29.3)	(324.3)	(135.7)	(163.6)	(90.3)	265.2	1,986.9
July-Dec.	(844.6)	(123.9)	(376.0)	(25.9)	(373.5)	(150.0)	(258.0)	(102.1)	(241.6)	2,545.1

Sources: For 1938, 1946, 1947 and 1948, data are from International Monetary Fund, *Intra-regional trade of ECAFE countries,* with the following exceptions: 1948 for Burma, India and Pakistan, and 1946, 1947 and 1948 for Thailand. Italicized figures are taken from national sources and converted into dollars according to the conversion factors supplied by the International Monetary Fund. Other figures are taken from *Direction of International Trade,* published jointly by the International Monetary Fund, the International Bank for Reconstruction and Development and the Statistical Office of the United Nations. Figures in brackets are incomplete data.

Notes: See notes under appendix B1.

Appendix B3

Balance of Trade of ECAFE Countries

(In million dollars)

	Japan	*United States*	*Canada*	*United Kingdom*	*Other sterling-area countries outside the region*	*OEEC countries of continental Europe*
Sterling-area countries						
Burma						
1938-39 ...	— 1.9	— 2.5	— 0.5	+ 10.5	+ 4.2	+ 7.7
1946-47 ...	..	— 2.2	..	— 24.7	(— 2.5)	— 2.6
1947-48 ...	— *1.0*	— 4.9	..	— 55.9	(— 5.8)	— 3.7
1948	— 0.2	— 4.2	..	— 67.2	(— 3.4)	— 9.2
1949	— 1.2	— 3.0	..	— 18.0	(— 0.3)	— 2.7
1950	..	..	..	(— 18.1*)	..	..
Jan.-June	+ *12.1*	— *1.8*	–	— *10.1*	+ *2.4*	— *0.2*
July-Dec.	..	..	..	— 8.0	..	..
Ceylon						
1938	— 5.1	+ 10.3	+ 3.2	+ 34.1	+ 5.0	+ 3.1
1946	–	+ 13.7	— 1.8	+ 87.4	— 9.5	0
1947	— 1.8	+ 2.1	— 3.1	+ 45.7	— 13.4	— 0.4
1948	— 3.7	+ 27.1	+ 9.5	+ 39.1	— 15.7	+ 10.9
1949	— 3.9	+ 10.9	+ 9.5	+ 42.5	— 7.1	+ 5.6
1950	— *6.2*	+ *62.6*	+ *11.8*	+ *29.5*	(+ *13.6*)	(+ *32.0*)
Jan.-June	— *1.5*	+ *23.3*	+ *3.3**	+ 4.7*	(+ 9.6)	(+ 19.3)
July-Dec.	— *4.7*	+ *39.3*	+ 8.5	+ *24.8*	(+ *4.1*)	(+ *12.7*)
Hong Kong						
1938	— 3.7	— 0.8	— 1.2	— 13.5	+ 0.5	— 8.6
1946	+ 0.1	— 9.0	— 2.6	— 6.9	— 14.6	— 6.5
1947	— 5.3	— 37.0	— 4.4	— 31.8	— 7.3	— 16.8
1948	— 7.5	— 59.2	— 7.2	— 56.9	— 9.0	— 38.8
1949	— 3.2	— 78.9	— 9.5	— 55.7	— 9.4	— 34.3
1950	— 19.1	— 60.6	— 7.0	— 41.4	— 6.1	— 28.0
Jan.-June	+ 4.2	— 39.0	— 3.4	— 20.7	— 9.1	— 18.4
July-Dec.	— 23.3	— 21.6	— 3.6	— 20.7	+ 3.0	— 9.6
India						
1938-39 ...	— 2.2	+ 16.3	+ 4.5	+ 36.5	+ 0.9	+ 11.9
1946-47 ...	–	+ 39.9	+ 3.0	— 94.5	+ 14.8	+ 8.8
1947-48 ...	–	—125.4	+ 7.6	— 43.7	+ 37.4	+ 14.3
1948	— 5.3	—101.5	+ 1.5	—162.7	+ 7.0	— 61.5
1949	— 64.7	— 83.9	— 10.0	—172.6	— 44.5	— 52.9
1950	+ 0.8	+ 2.8	+ 4.5	+ 2.9	— 54.2	— 4.3
Jan.-June	+ 2.8	— 6.5	+ 3.3	— 15.4	— 12.8	— 2.2
July-Dec.	— 2.0	+ 9.3	+ 1.2	+ 18.3	— 41.4	— 2.1
Malaya and Singapore						
1938	+ 23.6	+ 87.5	+ 7.2	— 11.9	+ 7.8	+ 36.7
1946	–	+115.2	+ 4.6	+ 54.3	— 36.3	+ 4.3
1947	+ 6.4	+141.4	+ 11.8	— 26.4	— 29.7	+ 28.1
1948	+ 3.0	+117.0	+ 10.1	— 49.1	— 21.7	+ 82.4
1949	— 4.9	+132.1	+ 7.4	— 77.2	— 7.3	+ 63.3
1950	+ *7.1*	+*313.3*	+ *26.7*	+ *13.4*	+ *27.0*	+*171.5*
Jan.-June	— *2.0*	+*100.0*	+ *4.7*	— *18.4*	+ *5.3*	+ *38.3*
July-Dec.	+ *9.1*	+*213.4*	+ *22.0*	+ *31.9*	+ *21.7*	+*133.1*

Appendix B3 (continued)

	Japan	*United States*	*Canada*	*United Kingdom*	*Other sterling-area countries outside the region*	*OEEC countries of continental Europe*
Pakistan						
1948	+ *0.5*	+ *15.3*	— *1.0*	— *36.2*	— *3.8*	+ *32.5*
1949	+ 0.3	+ 1.6	— 1.5	— 58.0	— 3.7	+ 4.5
1950	— *5.2*	+ *11.4*	— *1.0*	+ *27.8*	+ *1.7*	+ *74.9*
Jan.-June	— 17.0	+ 7.2	— 0.1	— 0.4	+ 0.8	+ 33.6
July-Dec.	+ 11.8	+ 4.2	— 0.9	— 27.4	+ 0.9	+ 41.3
Non-sterling-area countries						
China						
1936	— 15.2	+ 0.3	— 4.3	— 13.5	— 1.5	— 39.6
1946	+ 2.4	—264.0	— 9.3	— 19.2	— 8.8	— 26.1
1947	— 3.7	—188.9	— 17.6	— 18.0	— 0.6	— 14.5
1948	+ 7.4	— 68.0	— 8.6	— 10.4	— 0.2	— 8.9
1949	+ 33.0*	— 26.9*	— 10.3*	+ 5.1*	..	–
1950	..	+ 79.5*	+ 3.0*	+ 20.1*	..	— 6.6
Jan.-June	..	+ 18.7*	+ 1.7*	+ 3.6*	..	— 6.5
July-Dec.	..	+ 60.8*	+ 1.3*	+ 16.5*	..	— 0.1*
Indochina						
1938	+ 0.9	+ 4.4	–	— 0.1	..	+ 10.9
1947	..	— 21.4	— 1.3	— 2.1	— 2.0	(— 47.1)
1948	+ 2.0	— 21.7	— *0.3*	— 4.8	— 10.1	(— 85.8)
1949	+ 1.4	— 19.9	— 0.3	— 3.3	— 7.2	—141.2
1950	..	+ *2.8*	–	+ 0.9	..	—*133.4*
Jan.-June	..	+ 0.8	..	..	..	..
July-Dec.	..	+ *2.0*	..	..	..	..
Indonesia						
1938	— 28.2	+ 16.0	— 1.3	— 1.7	+ 13.9	+ 4.8
1946	0	— 34.8	— 0.9	— 3.0	— 2.2	+ 14.2
1947	— 21.3	— 88.5	— 3.2	— 19.7	— 4.8	+ 9.2
1948	— 60.9	— 26.9	— 2.9	— 27.9	— 28.3	+ 51.4
1949	— 27.7	— 50.7	— 3.4	— 30.1	+ 7.0	+ 31.6
1950	— 30.4	+ 31.8	— 2.5	— 1.7	+ 12.8	+111.5
Jan.-June	— 13.4	+ 5.6	— 0.9	— 2.7	+ 6.4	+ 43.4
July-Dec.	— 17.0	+ 26.2	— 1.6	+ 1.0	+ 6.4	+ 68.1
Philippines						
1938	— 5.2	+ 30.9	— 1.2	+ 0.3	(— 1.9)	(— 4.1)
1946	..	—370.0	— 5.2	+ 1.1	— 1.6	+ 4.5
1947	+ 1.3	—374.8	— 8.1	+ 5.4	+ 2.6	+ 17.5
1948	+ 13.4	—260.5	— 1.8	— 2.0	— 0.4	+ 19.2
1949	— 4.8	—276.9	— 9.1	— 2.0	— 4.1	+ 17.9
1950	+ 8.0	— 7.5	— 3.7	+ 0.3	— 1.6	+ 25.6
Jan.-June	— 2.5	— 35.2	— 2.6	+ 0.3	(— 0.2)	+ 3.7
July-Dec.	+ 10.5	+ *27.7*	— 1.1	0	— 1.4	+ 21.9
Thailand						
1938-1939 .	— *7.4*	— 2.4	..	— 5.4	+ 0.4	(— 2.0)
1946	–	+ 2.3	–	— 1.1	+ 0.1	— 0.3
1947	–	— *25.6*	— *0.3*	— *8.5*	— *0.4*	— *3.0*
1948	— *3.5*	+ *38.1*	..	— *7.3*	..	— *1.1*

Appendix B3 (continued)

	Japan	*United States*	*Canada*	*United Kingdom*	*Other sterling-area countries outside the region*	*OEEC countries of continental Europe*
Thailand (cont.)						
1949	— 3.7*	+ 16.5*	..	— 5.4*	..	— 6.1*
1950	..	+ 50.3*	— 0.1*	— 8.6*	..	+ 4.6*
Jan.-June	..	+ 12.0*	+ 0.2*	— 2.6*	..	+ 0.3*
July-Dec.	..	+ 38.3*	— 0.3*	— 6.0*	..	+ 4.3*
Total of sterling-area countries						
1938	+ 10.7	+110.8	(+ 14.2)	+ 55.7	+ 18.4	+ 50.8
1946	(+ 0.9)	+157.6	(+ 3.2)	+ 15.6	— 48.1	+ 4.0
1947	— 1.7	— 23.8	+ 11.9	—112.1	(— 18.8)	+ 21.5
1948	— 13.2	— 5.5	(+ 12.6)	—333.0	— 46.6	+ 16.3
1949	— 77.6	— 21.2	(— 4.1)	—339.0	(—118.7)	— 6.7
1950	(— 22.6)	(+330.2)	(+ 35.0)	— 41.5	(— 18.0)	+242.7
Jan.-June	— 1.4	+ 83.2	+ 7.7	— 60.3	— 3.9	+ 70.4
July-Dec.	— 9.1	(+245.2)	(+ 27.2)	+ 18.9	(— 11.7)	(+177.0)
Total of four non-sterling-area countries						
1938	— 39.9	+ 48.9	(— 2.5)	— 6.9	(+ 12.4)	+ 9.6
1946	..	(—402.5)	(— 6.1)	(— 3.0)	(— 3.7)	(+ 18.4)
1947	(— 20.0)	—510.3	— 12.9	— 24.9	— 4.6	(— 23.4)
1948	— 49.0	—271.0	(— 5.2)	— 42.0	(— 40.3)	— 16.3
1949	— 34.8	—331.0	(— 13.5)	— 40.8	(— 4.3)	— 97.8
1950	(— 22.4)	+ 77.4	— 6.7	— 9.1	(+ 10.8)	+ 8.3
Jan.-June	(— 15.9)	— 16.8	(— 3.3)	(— 4.6)	(+ 6.2)	(+ 56.7)
July-Dec.	(— 9.5)	+ 94.2	(— 3.0)	(— 4.4)	(— 7.6)	(+115.8)
Grand total						
1938	— 29.2	+159.7	(+ 11.7)	+ 48.8	(+ 30.8)	+ 60.4
1946	..	(—244.9)	(— 2.9)	(+ 12.6)	(— 51.8)	(+ 22.4)
1947	(— 21.7)	—534.1	— 1.0	—137.0	(— 23.4)	(— 1.9)
1948	— 62.2	—276.5	(+ 7.4)	—375.0	(— 86.9)	-
1949	—112.4	—352.2	(— 17.6)	—379.8	(—123.0)	—104.5
1950	— 45.0	(+407.6)	(+ 28.3)	— 50.6	(— 7.2)	+251.0
Jan.-June	— 17.3	+ 66.4	(+ 4.4)	(— 64.9)	(+ 2.3)	+127.1
July-Dec.	— 18.6	(+339.4)	(+ 24.2)	(+ 14.5)	(— 19.3)	(+292.8)

CHAPTER XIII

Trade in Principal Commodities[1]

The region's trade in principal commodities, both intra-regional and inter-regional, has undergone important changes in recent years. The changes affect not only the volume of trade but also the direction. This chapter attempts to summarize the basic changes in 1950 in comparison with pre-war years and with 1949.

Food, Beverages, and Tobacco

Cereals

Rice

Increased world supplies of wheat and coarse grains have reduced the import demand for rice in 1950. The present indications are that Asia and Far Eastern rice imports in 1950 may roughly equal the regional supply for export estimated at 2.5 million tons. This compares with pre-war average exports from Asia and the Far East of 8.2 million tons and average mports of 6.4 million tons, leaving an export balance of nearly 2 million tons available for distribution to non-Asian countries.

The drastic reduction in the region's supply of rice for export has resulted in relatively heavy imports of wheat and coarse grains by the food-deficit countries, especially India and Japan. Export prices, in terms of US dollars, of rice of common qualities remain at about one and a half to two times wheat prices in the world markets. While prices would thus encourage wheat imports, the shortage of hard currency has hitherto mposed a limit on the purchase of wheat from the Western Hemisphere.

As table 103 shows, certain major changes in the direction of international trade in rice were in evidence in Asia and the Far East in 1950. India, the largest single buyer of south-east Asian surplus, reduced its mports drastically — an indication of its effort toward a higher degree of self-sufficiency in this traditionally rice-importing country. Before the war the deficit areas of India received most of the imported rice supplies from Burma, which formed a part of the tariff area of India until April

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[1] The sections on "Food, Beverages and Tobacco" and the sub-sections on "Fibres", Rubber and Timber", and "Chemical Fertilizers" are prepared by the Food and Agriculture Organization of the United Nations.

1937. A further change in the food economy of India resulted from partition in August 1947. The entry of Japan into the free international rice markets of Asia and the Far East, on the other hand, marks a basic change in the pattern of post-war rice distribution, as pre-war rice supplies from Korea and Taiwan were not considered as foreign imports.

With the restoration of law and order in the interior and the improvement of rail, road and river transport, Burma's supply of rice for export in 1951 may increase. Exports from Thailand are not, however, expected to show any significant gain over 1950. Recovery of Indochina's rice exports, which have dwindled to insignificant proportions in recent years, remains highly problematical as long as civil conflict and military operations continue.

Since south-east Asia's supply for export is likely to remain virtually unchanged at around 2.5 million tons, the balance between rice supply and demand that obtained in Asia and the Far East in 1950 could be upset by relatively small increases in the import demand of the food-deficit countries. With increased world demand for rubber, tin and other Asian products of strategic value, there has already been a significant shift in the terms of trade in favour of the food-deficit countries, such as Malaya, Ceylon and Indonesia. In view of the desire of the basically rice-eating populations of these countries to revert to their traditional diet, a significant increase in their import demand for rice seems probable in the current year.

Other food-grains

The region continued to import other food-grains during 1949/50. Imports were three times as large as pre-war, compared with almost fou times the pre-war imports in 1948/49. Table 104 shows imports into th region by source.

In 1949/50 wheat imports dropped by about 10 per cent from the recor level of imports of 1948/49. Significant reductions occurred in the import of China and India, China importing only slightly more than half th quantity which it took in 1948/49, and there is no indication that its import will increase during 1950/51. India's import of wheat was down by abou one-fourth, and its coarse-grain imports were only 20 per cent of the yea before. Owing to the poor harvest of coarse grains and the resulting nee to use grain reserves to supply famine regions, India has announced i intention of importing larger quantities of grain during the coming seaso

Slightly increased quantities of grain went to Malaya, the Philippin and Thailand. Japan's imports were about 13 per cent larger than i 1948/49. While 96 per cent of its grain imports during the earlier seaso had come from the United States, the proportion from this source i 1949/50 was reduced by about three-fourths, and more substantial quant ties were imported from Argentina, Australia and Canada, with a small amount coming from other areas, including Iraq and Pakistan.

Table 103. Import and Export of Rice

(In thousand metric tons — cleaned basis)

	Exports					Imports				
				Jan.-June					Jan.-June	
	1934-38 average	1948	1949	1949	1950	1934-38 average	1948	1949	1949	1950
British Borneo	–	–	–	–	–	51	32	26	20	9
Burma	3,070[a]	1,230	1,190	769	596	–	–	–	–	–
Ceylon	–	–	–	–	–	530	416	403	275	302
China:										
Taiwan	612[b]	..	..	..	–	–	..	..	..	..
Hong Kong	–	–	–	–	–	175	114	82	53	77
India	254	–	–	–	–	2,094[c]	943	801	573	54
Indochina	1,290	191	105	78	71	–	–	–	–	–
Indonesia	20	–	–	–	–	282	140	276	168	136
Korea	1,158[b]	–	–	–	90	–	77	–	–	–
Malaya	–	–	–	–	–	548	458	515	321	200
Pakistan	393	145	–	–	–	–	–	64	20	–
Philippines	3	–	–	–	–	44	120	146	77	6
Thailand	1,388	812	1,215	731	751	–	–	–	–	–

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[a] Exports from Burma prior to April 1937 were included in the foreign trade of India.

[b] Exports were consigned exclusively to Japan.

[c] Includes shipments from Burmese ports to Indian ports for consumption in present-day India, and imports over land frontiers from areas now forming Pakistan.

Table 104. Import of Other Food-Grains into AFE Countries[a]

(Thousand metric tons)

From	1934-38 average			1948/49			1949/50		
	Wheat incl. flour	*Other grains*[b]	*Total*	*Wheat incl. flour*	*Other grains*[b]	*Total*	*Wheat incl. flour*	*Other grains*[b]	*Total*
Argentina	46.2	73.6	119.8	304.9	122.0	506.9	516.6	26.9	543.5
Australia	895.4	4.5	899.9	1,072.7	128.6	1,201.3	1,853.3	3.8	1,857.1
Canada	132.6	0.8	133.4	385.6	2.2	387.8	435.9	6.4	442.3
United States	166.9	0.4	167.3	2,843.1	1,121.9	3,965.0	1,843.2	433.3	2,276.5
Other countries	60.4	407.5	467.9	469.8	155.1	624.9	111.4	363.2	474.6
TOTAL	1,301.5	486.8[c]	1,788.3[c]	5,156.1	1,529.8	6,685.9	4,760.4	833.6	5,594.0

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[a] Including British Borneo, Burma, Ceylon, China, Indochina, Hong Kong, India, Indonesia, Japan, Korea, Malaya, Pakistan, the Philippines and Thailand.

[b] Rye, barley, oats, maize, sorghums and millets included in 1948/49 and 1949/50.

[c] Includes 406,100 metric tons of sorghums, millets and other minor grains, supplied largely by Asian countries.

Pakistan, which imported wheat in 1948/49, exported 51,000 tons during 1949/50. In that year there was a surplus of 400,000 to 500,000 tons of wheat, but heavy losses in storage resulted from floods. For the 1950/51 season, negotiations have been made for exports of more than 300,000 metric tons to Japan, Germany, Austria and Egypt, but arrangements have been concluded for the sale of wheat to India.

Table 105. Export of Principal Oilseeds, Fats and Oils

(In thousand metric tons, oil equivalent)

	Pre-war average 1936-38	*1947*	*1948*	*1949*	*Partial or whole year*	
					1949 (Jan. to)[a]	*1950*
Philippines						
Copra and coconut oil........	356	643[b]	443	421	Dec. 421	492
Indonesia						
Copra and coconut oil to						
Singapore	67	33	52	58	Nov. ..	..
Other destinations	271	98	155	199	Nov. 199	146
TOTAL	338	131	207	257	.. ..	..
Palm oil and palm kernels....	248	3	41	115	June 40	45
Malaya and Singapore						
Copra and coconut oil						
Gross import	76	36	58	74	Dec. 74	74
Gross export	171	49	97	119	Dec. 119	131
Net export	95	13	39	45	Dec. 45	57
Palm oil and palm kernels....	65[c]	48	55	60	Dec. 60	62
Ceylon						
Copra and coconut oil........	98	62	112	105	Dec. 105	95
TOTAL, above countries	1,200	900	897	1,003	.. ..	..
India[d]						
Groundnuts and oil..........	394	36	71	51	June 34	50
Linseed, castor, etc..........	107	54	54	32	June 11	25
China (including Manchuria)						
Edible oilseeds and oil.......	528	36	26	38	.. ..	..
Tung oil, perilla, etc.........	131	81	75	40	.. ..	..
Japan						
Whale and fish oil (and derived products)	150	1	6	—	.. ..	..
TOTAL, three countries	1,310	208	232	161	.. ..	..
TOTAL, all above countries	2,510	1,108	1,129	1,164	.. ..	..

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[a] January to month indicated (inclusive).

[b] Represents probably fourteen to fifteen months' production, since production late in 1946 increased faster than shipping facilities.

[c] Relates to year 1939, by which period oil-palm plantations were more mature than in 1935-38.

[d] Excluding shipments to Pakistan, other than by sea, after partition.

For the region as a whole, owing to the increased need in India and to the duration of the Korean war, it appears likely that the need for grain imports will have increased during the current year. Any loss in rice supplies would materially increase the dependence of the region on imported wheat, and it is probable that imports will again be drawn from all the major exporting areas, the United States remaining the largest supplier.

Fats and Oils

The export of fats and oils from the region still stands at less than one-half of the pre-war total. Recent trade data are available for only a few countries and commodities (see table 105) and it is difficult to estimate the movements of exports or imports in 1950. However, it would appear that the slow annual rate of increase which occurred in 1947-49 has continued in 1950, owing largely to the rise in demand following the outbreak of hostilities in Korea.

The immediate effect of the Korean war was considerable "reserve" buying both in Europe and North America, the extent and duration of which it is difficult to appraise. Fats and oils of strategic importance, e.g., coconut oil, palm oil, and castor oil in the United States, have been put on government stock-piling lists. Moreover, the increase in demand from the soft-currency countries appears enhanced by an increase in the supply of dollars available to those countries and is reflected in the marked increase in the price of copra since last July, ranging from 30 to 40 per cent, and the resumption of heavy Philippine shipments to soft-currency countries since July in addition to the increase in sales to the United States. Total Philippine shipments of copra and oil rose from 170,000 tons, in terms of oil, during January-June 1950 to 283,000 tons during the July-November period. Except in the Philippines, however, there is little sign as yet of an appreciable increase in exports in response to the stronger demand. Indian exports were higher than in 1949, but supplies from Ceylon and Indonesia have been below expectations. In both India and Indonesia there appears to have been some further increase in the quantity of indigenous fats and oils retained for the local market, the requirements of which took precedence over those of foreign countries.

Livestock and Livestock Products

International trade in meat and eggs in Asia and the Far East is negligible but is of some significance in the case of dairy products.

Meat

With the exception of China, Indonesia and Japan, which were exportin some meat before the war, this region has always been a net importer o meat.

The net trade in meat in the eleven Asian countries[2] was about 12,000 tons before the war, about 17,000 tons in 1947, 46,000 tons in 1948 and about 40,000 tons in 1949. This reflects an increase in the demand for meat as a result of the rapid increase in urban population. Imports represent less than one per cent of the total meat production in the region.

China before the war exported live animals, chiefly to Hong Kong, Macao, and Kwangchowwan. In 1948 its live animal exports were higher than before the war. China's meat exports were relatively small before the war and have in recent years declined to an insignificant quantity. India's trade in meat is insignificant. Cattle exports are forbidden in an effort of the Government to increase the number of high-quality animals. Burma has since the war exported or imported only small quantities of meat products. Malaya depends almost entirely on indigenous stock for slaughter except for a limited quantity of sheep imported from Australia. The Philippines have steadily increased their imports of meat and meat products. Before the war Philippine imports represented about 5 per cent of the total meat consumption. In 1947 the share of import rose to 10 per cent and in 1948 to 14 per cent. Lately, however, the Government of the Philippines has imposed import controls and the amount of meat imported has declined considerably.

Dairy products

The 1947-48 net imports of dairy products into the eleven Asian counries were nearly 65 per cent higher than before the war and in 1949 more han double this figure. All the countries have been importers of dairy products. Pre-war net imports of all dairy products, converted into milk equivalent, represented nearly 20 per cent of the total indigenous milk production. In 1949 this figure rose to 40 per cent, largely owing to relief mports by the United Nations International Children's Emergency Fund (UNICEF). The form in which the dairy products are imported is butter, condensed and evaporated milk, powdered milk, and very small quantities of cheese.

Eggs

The AFE region as a whole is a net exporter of eggs, owing to China's xports of large quantities of eggs and egg products. Trade in eggs among he other countries, however, is small. Malaya and the Philippines are the nly significent importers. In 1949 China's egg exports were reduced to bout 10 per cent of the quantity exported before the war.

Fish and Fishery Products

Before the war there existed a substantial trade in fish and fishery roducts between certain AFE countries. In the western and central sectors he trade involved various forms of dried, dried and salted, and salted products, and in the central and eastern sectors also pastes, sauces, oils and canned products. There was also some trade in fresh fish in the eastern sector.[3]

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[2] Burma, Ceylon, China (twenty-two provinces), India, Indochina, Indonesia, Japan, outh Korea, Malaya, Pakistan and the Philippines.

In the western sector the principal exporting country was India, which sent dried fish and prawns to Ceylon and Burma. Fish manure was also exported to various countries. These exports were of the order of 20,000 to 30,000 tons *per annum*. In addition to importing from India, Ceylon drew supplies of a special product, Maldive fish from the Maldive and Laccadive Islands, making total imports 25,000 to 35,000 tons *per annum*. Among the Burmese imports should be noted the nagpee drawn from east Bengal This pattern of trade has remained substantially unaltered since the war except for the conversion of the movement from east Bengal to wes Bengal into foreign trade which, moreover, now encounters some difficulties

In the central sector the principal exporting countries were Thailan and Indochina which sent large quantities of dried fish to Indonesia, chiefl through Singapore, where some parts of the supply were retained and som Malayan products were added. The pre-war Indonesian imports wer about 70,000 tons *per annum*. In addition to dried fish there was trade i fish pastes and in fish sauce. The Singapore *entrepôt* trade supplied man countries besides Indonesia, but with much smaller quantities. The trad was at times in excess of 100,000 tons, but since the war it has been sma because of exchange and other difficulties. It now shows some signs o reviving. Singapore also imports fresh fish from adjacent countries an these imports amount to 75 per cent of the Singapore market supplies.

The trade of the eastern sector, including Japan, was of considerabl greater dimensions, probably totalling more than 250,000 tons. It include not only dried fish in numerous forms, but also fair quantities of fres fish, large quantities of canned goods, and relatively large quantities o oils and other by-products. Japan was the principal exporting country an China the principal importing country. The Taiwanese and Manchuria contributions to the Japanese trade were of considerable importanc Another important feature was the link with American trade. Japa exported large quantities of canned crustacea and tuna to high-pric markets, and the Philippines imported large quantities of salmon a sardines from America. Although canned fish was imported into the wes ern and central sectors, the trade was small compared with that in t eastern sector. The post-war trade in the eastern sector has not y recovered, and although Japan has largely re-established its home fisheri and during 1950 had appreciable quantities of oil, canned crab and oth products for export, the political situation in this sector prevents recover In addition, trade control measures by the Philippine Republic ha reduced the import by that country.

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[3] The different sectors cover the following countries of the region: China, Thaila Hong Kong, Japan, Korea and the Philippines in the eastern sector; Indochi Indonesia, Malaya and British Borneo in the central sector; and Burma, Ceyl India and Pakistan in the western sector.

Table 106. Import and Export of Fish Products

(In metric tons)

Country	Imports 1938	Imports 1948	Imports 1949	Imports 1950	Exports 1938	Exports 1948	Exports 1949	Exports 1950
Burma	10,360[a]	4,780[b]	3,250[b]	4,850[b]	1,015[a]	..	..	..
Ceylon	31,434	28,200	36,058	35,610	47	..	230	193
China:								
Mainland	54,581	5,097	..	..	8,389	5,978	..	..
North-east	76,733[e]	..	..	..	1,102[c]	..	..	..
Taiwan	23,709	..	..	..	1,100	..	..	..
Taiwan from Japanese territory	26,849	..	..	..	5,084	..	..	..
India	9,116[a] [d]	5,205[a]	3,805[a]	3,885	21,874[a] [d]	11,936[a]	15,931[a]	17,693
Indochina	751	739	1,214	..	36,315	4,319	3,554	1,874[e]
Indonesia	72,661	7,896	5,444	2,636[f]	6,197	37	184	284
Malaya	61,418	25,983	23,746	39,895	55,196	7,353	8,878	21,996
Pakistan	..	..	..	..	..	4,525[a]	4,530[a]	4,596
Philippines	16,699	21,336[g]	..	..	613	1,292[g]	..	..
Sarawak	1,405	1,210	3,143	..	416	522	398	..
Thailand[h]	686[a]	95	23	..	27,101[a]	..	..	..
Japan	66,684[e]	1,248[e]	1,008[e]	2,242	213,523	..	..	51,543

Sources:

FAO Year Book of Fisheries Statistics 1947;
Quarterly Bulletin of Statistics, Government of Burma;
Ceylon Customs Returns, December 1949 and December 1950;
Tableau du commerce extérieur des états associés de l'Indochine, année 1949;
Accounts relating to the Foreign Sea and Air-borne Trade and Navigation of India;
Malayan Statistics, December 1948 and December 1950;
Summary of Statistics relating to Seaborne Trade of Pakistan, March 1949 and March 1950;
Statistical Year Book 1946;
Annual Statement of the Foreign Trade of the Kingdom of Thailand, 1942-45;
Sarawak Govt. Gazette Extraordinary;
Detailed Import and Export Statistics of Japan;
Japanese Economic Statistics; Economic Review of Indonesia;
Bulletin statistique mensuel, Indochine.

[a] Fiscal year from 1 April.
[b] Fiscal year ending 30 September.
[c] 1937.
[d] Including present territory of Pakistan.
[e] Data incomplete.
[f] Estimated from incomplete data.
[g] 1946.
[h] Thailand canned fish only for imports.

Sugar, Tea and Tobacco

Sugar

Next to the Caribbean area, the ECAFE region was before the war the world's chief sugar-exporting area. The principal exporting countries of this region supplied sugar to countries not only within the region but also in Europe, other parts of Asia and even America. Before the war sugar from Taiwan supplied all the needs of Japan and some exports went to other countries; the United States imported close to 900,000 metric tons annually from the Philippines, and Indonesia shipped more than a million tons to all parts of the world.

The situation changed fundamentally during the war and the early post-war years. Local consumption has tended to increase, with the result that a smaller share of production has been available for export. More significant, however, is that total production has declined, owing to slow post-war recovery and diversion of cultivated areas to rice crops. Indonesia has had very little sugar available for export; indeed, production has no been sufficient to meet domestic requirements and rationing has bee introduced. Table 107 shows the effect of these changes.

Table 107. Sugar Export
(In metric tons)

	1934-38 average	1948	1949[a]	1950[a]	
				Quantity	Final month included
Hong Kong	125,000	17,657	38,159	32,890	August
Indonesia	1,045,000	63,922	41,601	2,421	October
Philippines	898,000[b]	216,771	414,983	303,736	June
Taiwan	1,040,000[b] [c]	70,871	308,124	271,754	March

[a] Referring to raw value.
[b] 1935-39 average.
[c] Includes exports to China and Japan.

While exports from ECAFE countries have declined, imports hav tended to rise, in some cases appreciably, even on a *per capita* basi Highly significant is the experience of India and Pakistan. During the lat 1930's the sub-continent of India was practically self-sufficient in sugar in recent years, however, Pakistan has had to obtain its supplies from overseas sources, while India itself has had to take strict measures to regulat distribution and also to resort to imports.

No doubt the pre-war exporting countries of the ECAFE region wi seek during the next few years to increase production and exports. Pric on world markets have been far more favourable than in pre-war years - 4 to 6 cents a pound as compared with 0.70 to 1.75 cents in pre-war year All participants in the production process have benefited from the increa in price. Wages of agricultural and factory workers have increased su stantially in all producing areas; farmers have received significantly high prices for their cane; and although the processing companies have benefit roportionately less than the previous two groups, they have been finan-ially rehabilitated owing to increased profits. Plantation owners in Indo-esia are making efforts to re-establish production and the public authorities other ECAFE countries are seeking to modernize and expand the sugar dustry. One of the chief difficulties is the competition of other crops or available land and water resources. Nevertheless, the indications are at exports from the chief producing countries will increase during the ext few years.

ea

The International Tea Agreement (Interim Producers' Agreement) gned by Ceylon, India, Indonesia and Pakistan was replaced in 1950 by new five-year agreement. It regulates the expansion in the national areas anted to tea, and establishes export quotas.

Tea exports in the first nine to twelve months of 1950 have been higher an in the corresponding period of 1949 except in the case of Pakistan d Japan, owing to the recovery in production. Total tea exports from e AFE region in 1949 were 9 per cent above the pre-war average, though Indonesia's exports represented only a third of, and Japan's had ot yet reached one-half the pre-war figure, the two biggest exporters, eylon and India, in 1949 exceeded the pre-war average by 35 and 50 per nt respectively.

Export quotas in the new Tea Agreement were fixed at 130 per cent of e "standard" for 1950/51, against 125 per cent in the previous years. ea prices were declining in the early part of 1950, but on the outbreak hostilities in Korea a new increase took place. However, since August-eptember 1950, prices steadily declined and in November were lower an the year before, in Calcutta as well as in Colombo.

Table 108. Tea Export
(In thousand metric tons)

					Part of		
ountry	*1934-38 average*	*1947*	*1948*	*1949*	*1949*	*1950*	*Months*
ylon	99.6	130.3	134.3	135.0	118.2	135.2	12
ina, including Taiwan	50.0	16.4	17.5	20.4	..	..	
lia	154.9	192.7	161.0	224.0	97.1	176.9	12
kistan			12.6	14.4	7.0	3.9	9
lonesia	67.6	3.9	9.0	21.9	15.2	19.6	9
an	18.6	3.0	4.5	8.3	6.4	5.4	10
ner	1.7	0.2	0.6	1.1	..	..	
TOTAL	392.4	346.5	339.5	425.1			

bacco

Exports of tobacco from the region have declined greatly since before war. Indonesia's exports were negligible until 1949, and China also lost its position as an exporter. Japan and the Philippines have exported only on a minor scale.

India and Pakistan together have, however, increased their exports more than 50 per cent since before the war, and, together with Indonesia, they are the major exporters. India's exports in 1949/50 reached 32,400 tons as much as in the record years of 1940/41 and 1946/47, 57 per cent going to the United Kingdom. Preliminary data for 1950 indicate a further increase.

Raw Materials

Fibres

Cotton

It seems possible that consumption of locally-produced cotton of th two largest textile-manufacturing countries in the region, India and China may increase in view of the expectation of a larger crop in 1950/51. Indi imported substantial quantities of cotton from the United States las season, but, as a result of the restrictions on the export of cotton fro that country, may not be able to secure the same volume this season. I the case of Japan, which has the remaining major textile industry in th region and where consumption was expanding rapidly last season, it seem doubtful if the advance can go much further. Although the Suprem Commander for the Allied Powers (SCAP) has removed all limitatio on cotton spindleage and although there are doubtless large outlets fo Japanese textiles both domestically and abroad, it seems that the ra cotton supply available from the United States and other exporting cou tries will effectively limit the expansion in textile production. Meantim the demand for textiles from the region as a whole appears to be increa ing, as a result of the enhanced incomes of primary producing countri following the great rise in raw-material prices. In Japan it is report that military orders will absorb 10 per cent of the cotton textile output.

Because of the current world cotton shortage, there will be ample outle for Pakistan's exportable surplus. Within the region, Japan and Chi are expected to absorb increasing quantities of Pakistan cotton. In th connexion, a trade agreement between Japan and Pakistan provides, *int alia*, for 300,000 bales of Pakistan cotton to be sent to Japan and 1 million square yards of cotton and rayon cloth to be supplied to Pakista Thus a good share of the Pakistan cotton previously sent to India is no likely to be absorbed elsewhere in the region. India, on the other han will continue to depend on the United States for a large part of cotton import requirements. It may be, however, that imports into In in the current season will not reach last season's exceptionally high le Import requirements may have been reduced by increased Indian outp and at the same time export availabilities outside the region are mu more limited this season than last and may not be sufficient to meet Ind requirements. Short-staple cottons, of which India has a limited surp

vill no doubt continue to be exported subject to quota, but on a smaller
cale than before. In the case of Japan, much larger import requirements
ave been envisaged for the current season, but there seems little prospect
f obtaining larger supplies of cotton from the United States. Con-
equently, cotton is being sought in increased quantities from other sources.
rocurement is now taking place through the usual commercial channels.
espite the increased crop in China, it is reported that textile mills require
substantial import of cotton, and Pakistan seems to be the only available
ource for it.

Following the introduction of export controls in the United States,
rices in Karachi, the chief cotton export market in the region, advanced
0 per cent between August and October 1950, in common with prices in
ther cotton markets. For a period, transactions were suspended in order
make possible an orderly conclusion of contracts. The export duty on
otton was increased in October (from 4.62 cents to 13.85 cents per lb.)
nd again in November (to 23.09 cents), so as to absorb part of the infla-
onary impact of the price advance. A similar increase in the Indian
xport duty was put into effect.

Table 109. Raw Cotton Export and Import
(In thousand metric tons)

	Exports			*Imports*		
ountry	*1934-38*[a]	*1948/49*	*1949/50 (Prelim.)*	*1934-38*[a]	*1948/49*	*1949/50 (Prelim.)*
hina (including Manchuria)	52	–	–	91	119	98
dia	595	57	46	90	183	206
akistan		148	187		–	–
pan	38[b]	–	–	736	201	227
ther countries...	35	16	13	24	32	42
TOTAL, Far East	720	221	246	941	535	573
TOTAL, World..	3,016	2,420	2,730	3,090	2,400	2,500

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[a] Average.
[b] Re-exports.

Table 110. Raw Cotton Prices
(In US cents per pound)

Period	*U.S. 10 markets middling 15/16"*	*Bombay Jarilla Fine*	*Karachi 289-F Punjab (S.C.F.)*
1934-38	11.18	8.66[a]	..
1948/49	32.15	23.43	36.04
1949/50	31.85	17.52	30.30
1950/51			
August	38.06	16.50	34.59
September	40.68	20.50	40.61
October	39.81	20.50	[b]
November	42.24	20.50	42.77

Comra fine.
Not quoted.

Jute

The disruption of Indo-Pakistan trade in late 1949, following Pakistan's decision not to devalue its currency, had repercussions which were felt throughout the world. Pakistan was faced with a serious disposal problem since a large share of the crop was of qualities not readily salable outsid India. Moreover, it could not immediately compensate for the loss of the trans-shipment facilities of Calcutta, which had handled about 40 per cen of total shipments of Pakistan jute to overseas countries in the previous season. India, on the other hand, was faced with a crucial shortage sinc her fibre inventories were at a low level and import requirements greate than those of all other countries combined. The situation was alleviate during April-September 1950 under an inter-dominion trade agreemen providing, *inter alia,* for the exchange of Pakistan jute fibre for India jute manufactures. In February 1951, a new Indo-Pakistan trade agree-ment was concluded.

Shipments of Pakistan jute in bond through Calcutta have continue and direct shipments through Chittagong are much higher than the were a year earlier. Thus, there has been a marked improvement in th volume of shipments of jute fibre, and further gains seem likely in th current season (see table 111). On the other hand, the shortage of ra jute in India is again becoming serious. With the new domestic cro estimated at 750,000 tons and mill requirements at more than one millio tons, import requirements are still large. Mills have had to defer the plans to reinstitute a 48-hour work week, in place of the 42½-hour sched ule which was introduced late in 1949. In the meantime, world deman for Indian jute manufactures, which had fallen off sharply in early 194 recovered considerably later in the year, and has been very strong sin the outbreak of the Korean war.

Prices of jute in Pakistan broke sharply in September 1949, followi the stoppage of shipments to India. Late in October, the Pakistan Gover ment fixed minimum prices for the fibre at about 25 per cent below t mid-September quotations. During the remainder of the 1949/50 ju year, wholesale quotations at baling centres in east Bengal varied co paratively little. The minimum prices were not in effect during the ea part of the 1950/51 season but were reinstituted in October 1950, wh

Table 111. Raw Jute Shipments from Pakistan to India[a]
(In thousand metric tons)

June season	*Total shipments*	*Retained in India*	*In bond via Calcu*
1948/49	839	708	131
1949/50	333	301	32
1950/51			
July-September	272	200	72
October	70	20	50

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[a] Both by sea and across the land frontiers.

ie Government announced new minimum prices at levels approximately
0 per cent below those prevailing in the previous season. The reductions
ere possible, it was reported, because of a decline in the prices of food-
rains and other essential commodities in East Pakistan. Quotations for
iddle qualities of jute in the Mymensingh market in December 1950
ere 8 per cent lower than in December 1949 and 21 per cent below the
verage for September 1949. Raw jute prices in New York in December
950 were down 12 per cent from the September 1949 level but were still
iree-and-a-half times the 1934-38 average.

Maximum prices for jute and jute manufactures were established by
ie Indian Government in the autumn of 1949 following currency devalua-
on. At the same time, the export duty on hessian (burlap), which goes
ainly to hard-currency areas, was increased by 4.4 times, from Rs. 80
Rs. 350 per long ton, thus offsetting most of the effect of devaluation
dollar prices. Since the outbreak of war in Korea, New York spot
ices of burlap have practically doubled, and in December 1950 averaged
ore than six times as much as in 1934-38. The Indian export duty on
irlap was increased from 350 to 750 rupees per long ton in October 1950
id then raised to 1,500 rupees in the following month. This was done to
ovide more revenue and to bring the landed cost of burlap at New York,
irchased at Indian ceiling prices, approximately in line with New York
arket prices.

lk

Japanese monthly exports of raw silk in the first eight months of 1950
owed a gain of about 50 per cent over the low monthly average for
49. Total shipments in 1950 are estimated at a post-war record of close
5,500 metric tons, but this still represents less than one-fifth of the
34-38 average. Silk fabric exports, which had been expanding steadily
ice 1947, showed a further gain in 1950. Monthly exports in the first
ght months of the year were about 20 per cent greater than the monthly
erage for 1949, or 43 per cent of the average for 1934-1938.

The price control on Japanese raw silk was discontinued by SCAP at
e end of 1949, at which time cocoon prices were also decontrolled and
bsidies to producers were discontinued. Prices of raw silk in the New
ork market showed only a moderate rise in the first half of 1950, but
vanced sharply following the outbreak of the Korean war.

Rubber and Timber

bber

Asian countries have been the principal suppliers of rubber for indus-
ally-developed countries. Before the war, they accounted for approxi-
tely 96 per cent of the world export of this commodity. In post-war
ars, rubber production in Asian countries was restored rapidly. Rubber

exports from these countries reached their pre-war level as early as 194 and increased by 20 per cent in 1948. After 1948 the increase in rubbe exports was halted and a decline set in as a result of the stagnation o demand for rubber.

In 1950 a new increase in the demand for rubber occurred because o stock-piling in the United States and other countries. Exports of rubbe from Asian countries increased sharply, and surpassed those in 1949 b 22 per cent and the pre-war peak by 150 per cent.

The greatest increase in rubber exports was recorded by Indonesi Ceylon, Thailand and British Borneo. Indonesia increased its exports 1950 by 252,400 metric tons, or 59 per cent. Indonesia has overtake Malaya and is now the chief exporting country in the region. Malaya exports in 1950 declined slightly. The shares of Indonesia and Malaya the region's export were 39.3 and 38.6 per cent respectively.

United States imports of rubber in 1950 increased by almost 145,0 tons over 1949. British imports rose by 70,000 tons, and Chinese impor by 43,700 tons. Imports by the Union of Soviet Socialist Republics a estimated to have been from 20,000 to 25,000 tons less than in 1949. Jap and Germany increased their rubber imports, the latter country attaini its pre-war level and the former a level 30 per cent above that of 1938.

Consumption of natural rubber is much greater than before the wa World consumption in 1950, despite restriction on the use of natu rubber in the United States during the last four months of the year, estimated at 165 per cent of the 1934-38 average — about 15 per ce above the 1949 level. Consumption in the United States represented ab 43 per cent of total world consumption in 1950, compared with about per cent in 1949.

Table 112. **Net Export of Natural Rubber**
(In thousand metric tons)

Country	*1937*	*1938*	*1947*	*1948*	*1949*	*195*
British Borneo	41.6	29.1	53.4	63.0	61.0	8
Burma	7.3	6.8	8.7	9.2	7.6	
Ceylon	71.2	50.1	83.8	93.2	91.9	12
Indochina	44.1	60.1	51.3	41.9	41.5	5
Indonesia	440.6	305.7	291.6	438.9	428.8	68
Malaya	498.9	349.6	650.4	689.9	690.0	66
Thailand	36.1	42.3	53.4	97.5	95.7	11
Other countries	10.6	8.9	1.7	1.2	1.1	
TOTAL, ECAFE	1,150.4	852.6	1,194.3	1,434.8	1,417.6	1,73

Sources: External trade statistics from the Government of the Union of Bur *Rubber Statistical Bulletin*, February, 1951.

[a] January-September.

Natural rubber production in 1950 was roughly 200,000 tons in ex of consumption, so that world stocks on 1 January 1951 are estimate higher by this amount than a year earlier (see table 113). The esti f stocks include the United States stock-pile and government-held stocks n other consuming countries.

Table 113. Natural Rubber: World Balance Sheet
(In million long tons)

Item	*1934-38*	*1947*	*1948*	*1949*	*1950*
tocks, beginning of year.......	0.7	0.9	1.1	1.2	1.25
'roduction	1.0	1.3	1.5	1.5	1.85
upply	1.7	2.2	2.6	2.7	3.10
onsumption	1.0	1.1	1.4	1.45	1.65
tocks, end of year...........	0.7	1.1	1.2	1.25	1.45

The price of natural rubber during 1950 reached levels untouched since ne period of the Stevenson Restriction Scheme in the middle 1920's. The Jew York spot price for No. 1 R.S.S. reached 86 cents per lb. during the ear, which was the highest price recorded since 1926, when a price of 1 cents per lb. was reached. In 1925 the highest price recorded on the Jew York market was $1.23 per lb. Following the announcement of evaluation in September, 1949, the dollar price of natural rubber dropped harply, but this movement was reversed towards the end of the year. n January, 1950, the dollar price was back to the pre-devaluation level nd continued to increase during February and March. The Indonesian overnment instituted monetary reforms in March 1950,[4] and in anticipaon of this action, rubber supplies from Indonesia had, to some extent, een held back. This withholding of supplies, coupled with increased onsumption, in April caused a sharp increase in the price of rubber. his shortage continued despite the fact that, following the currency reform Indonesia, the supply of rubber from that country expanded rapidly. y the beginning of June the New York price was roughly double its re-devaluation level. During June, there was a slight downward trend rubber prices, which was sharply reversed following the outbreak of ostilities in Korea. One of the immediate results of the Korean war was n increased desire on the part of the United States Government to crease its stock-pile of rubber as rapidly as possible. This fact, and the ospect of higher consumption for the rearmament programme, had the fect of rapidly increasing rubber prices. To ease the situation, the United ates Government restricted the use of natural rubber by American anufacturers during the last four months of 1950 and also decided to crease the production of synthetic rubber to capacity. These decisions d a temporary effect on prices, but hardship allowances to American anufacturers, which resulted in a post-war record monthly consumption natural rubber in October 1950, again tightened the rubber situation rade stocks in the United States at the end of October were only equivant to 1.2 months' consumption), with the result that New York prices creased by nearly 50 per cent during October. A drastic reduction in

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See *infra*, chapter XV on "Currency and Credit".

natural-rubber consumption during the last two months of 1950 wa enforced by the United States Government and this caused a slight dro in prices, but at the end of the year the price was still around the end-October level. In a further attempt to ease the situation, the United State Government issued an order effective 29 December 1950, reserving fo itself the exclusive right to import and distribute natural rubber an natural rubber latex. The Government is allocating required amounts t the stock-pile and reselling additional supplies to industry.

The reactivation of the standby synthetic rubber plants in the Unite States which included the higher-cost alcohol-based units, coupled wit the increase in price of raw materials, necessitated an increase in th price of government-produced synthetic rubber in the United States. O 7 December 1950, the Reconstruction Finance Corporation increased th price of government GR-s from 18½ cents per lb. to 24½ cents per l and the price of government-produced butyl rubber from 18½ cents pe lb. to 20¾ cents per lb.

The Canadian Government during 1950 decided to increase its syntheti rubber production capacity by about 25 per cent.

At the moment, the major factor influencing the natural rubber situatio is the United States stock-piling; so long as the stock-pile is incomplet there will be a continuing demand for all the natural rubber availabl If and when the stock-pile is completed, however, and if there is no reduction in the output and use of synthetic rubber, there may be an over-suppl of rubber. It should also be borne in mind that a decrease in the rate stock-piling or a decline in consumption of natural rubber could cause drop in price which might result in a contraction in output, particular from smallholders.

Timber and timber products

Since 1946, there has been little change in the intra-regional tra pattern of timber with the exception of log shipments from the Philippin and from North Borneo to Japan, which have been increasing slightl Since its resumption, and except for some fuel-wood shipments betwe Borneo and Hong Kong and between Indonesia and Singapore, the pri cipal trade activity has been in the export of logs and sawn lumber countries outside the region during 1949 and 1950.

An increasing amount of logs and sawn lumber from Sarawak, No Borneo and Malaya has been shipped to Australia. Malaya has grea increased its exports of sawn lumber to Europe, and epecially to t United Kingdom. Similarly, the Philippines has increased its exports sawn lumber to North America.

Thailand's export of teak squares has recovered slowly, but Burma a Indonesia have not been able to maintain any important quantity of te shipments either to areas within the region or to western markets. Dur 1950, the export of *Mai Yang* and other hardwoods from Thailand

Table 114. Timber Import and Export

(In thousand cubic metres)

	Sawn and planed lumber				*Sawlogs and veneer logs*			
	Exports		*Imports*		*Exports*		*Imports*	
	1948	*1949*	*1948*	*1949*	*1948*	*1949*	*1948*	*1949*
ritish Borneo:								
North Borneo..	5	7	[a]	2	113	119	..	..
Sarawak	..	..	..	..	28[b]	55[b]	..	..
urma	154	116	–	..	4	..	–	–
ong Kong......	1	8	22	43	..	–	52	40
dia	3	1	89	49	..	..	–	–
donesia	..	..	8	8	17[c]	138[c]	–	–
alaya	48	94	2	4	1	3	43	69
hilippines	34	..	[a]	..	70	..	..	..
hailand	91	..	–	..	17	..	..	..
pan	17	37	–	5	..	..	12	50

[a] Less than 500 cubic metres.

[b] Includes hardwood lumber.

[c] Includes other roundwood (except fuelwood), hardwood lumber, and sleepers.

een prohibited, a fact which has discouraged the resumption of trade in is important commodity and slowed down production of these species.

Recent developments in the mainland of China have forced Hong Kong look elsewhere for its supply of fuel-wood. North Borneo has been the incipal source of supply during the past years and small amounts have en shipped from Malaya and other neighbouring areas.

Plywood, fibreboard and pulp and paper, for which there is a growing mand, must be imported from outside the region by most countries. The urces of such products are principally North America and Europe, but ustralia is beginning to produce increasing amounts, which may permit ade with this region. Japan has resumed export of these commodities but far on a level much lower than before the war.

Tin, Tungsten and Antimony

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Exports of *tin concentrates* from countries of the region, following the end of production,[5] remained practically at the same low level during 49 and 1950, respectively at 87 and 94 per cent of pre-war (1937) ee table 115a).

In 1937, Indonesia accounted for 56 per cent of the ECAFE region's al export, while Thailand accounted for 36 per cent. The other two porters of the region, Burma and Indochina, contributed respectively per cent and 3.4 per cent in 1937 (see table 115b).

See *supra*, chapter IX on "Mining and Industry".

Table 115a. Export of Tin and Tin Concentrates
(In metric tons)

Country	Quantity					Index (1937 = 100)			
	1937	1938	1948	1949	1950	1938	1948	1949	1950
Tin in concentrate									
Burma	2,022	2,051	1,059	1,535	1,433[a]	101	92	76	71
Indochina	1,575	1,604	34	165[a]	149[a]	102	2	10	9
Indonesia	26,265	13,919	33,042	30,949	31,708	53	126	118	121
Thailand	16,755	13,737	5,741	8,105	10,517	82	34	48	63
TOTAL, ECAFE	46,616	31,311	40,676	40,754	43,807	67	87	87	94
TOTAL, World..	91,952	72,647	98,658	94,899	94,082	79	107	103	102
Tin metal									
China	13,076	11,791	3,912	3,048[b]	3,048[b]	90	30	23	23
Malaya	94,600	62,163	47,972	55,662	83,088	66	51	59	88
TOTAL, ECAFE[c]	107,676	73,954	51,884	58,710	86,136	69	48	55	80
TOTAL, World..	186,952	134,118	83,316	97,541	138,108[c]	72	45	52	74

Source: International Tin Study Group, *Statistical Bulletin,* January 1951.

[a] Exports to Malaya only.

[b] Estimated.

[c] Excluding Indonesia whose pre-war (1937) tin metal export was about 14,000 metric tons gross weight.

Table 115b. Export of Tin Concentrates from ECAFE Countries and the World Compared[a]

(In percentages)

Country	*1937*	*1938*	*1948*	*1949*	*1950*[a]
As percentage of world export					
Burma	2.2	2.8	1.9	1.6	1.5
Indochina	1.7	2.2	–	0.2	0.2
Indonesia	28.6	19.2	33.5	32.6	33.7
Thailand	18.2	18.9	5.8	8.5	11.2
TOTAL, ECAFE export	50.7	43.1	41.2	42.9	46.6
As percentage of ECAFE export					
Burma	4.3	6.6	4.6	3.8	3.3
ndochina	3.4	5.1	0.1	0.4	0.3
ndonesia	56.3	44.5	81.2	75.9	72.4
Thailand	35.9	43.9	14.1	19.9	24.0

Source: International Tin Study Group, *Statistical Bulletin,* January 1951.
[a] See notes to table 115 a.

Indonesia's export, which basically followed production, rose sharply luring the early post-war years; in 1948 it reached 33,042 metric tons, r 26 per cent more than in 1937. However, under the influence of the xcess of production over commercial demand on the world market, it lecreased to 30,949 metric tons in 1949, but owing to the Korean war, ose again to 31,708 metric tons in 1950, or 21 per cent above the 1937 evel.

The post-war export of tin concentrates from Thailand recovered lowly from the pre-war (1937) level of 16,755 tons. In 1949 it was 8 per cent of the 1937 level, while in 1950, despite an increase in produc-on of 2,400 tons over 1949, it continued at a low level, reaching only 3 per cent of the pre-war figure.

Indochina's export during 1949 and 1950 amounted to about one-tenth f the pre-war (1937) figure. Its share in the total regional export fell to .3 per cent, as against 3.4 per cent for 1937 and 5.1 per cent for 1938. urma's export in 1949 was only 76 per cent and in 1950, 71 per cent of ne pre-war level. In 1950 this represented only 3.3 per cent of the total egional export, as compared with 4.3 per cent in 1937 and 6.6 per cent 1938.

The rapid increase of tin concentrate export from Indonesia and the ow recovery in Thailand affected the relative importance of these two ountries in the region's trade. In 1950 Thailand's share in the region's tal export amounted to 24 per cent, as compared with 36 per cent in 937, while Indonesia's share increased to 72 per cent, as compared with 6 per cent in 1937. In the world export, Indonesia and Thailand accounted spectively for 34 per cent and 12 per cent in 1950, as compared with 9 per cent and 18 per cent in 1937.

Malaya, as in the past, is by far the largest exporter of *tin metal* in the region (see tables 115a and 115b). Before the war, Malayan tin-meta export accounted for approximately three-fourths of the region's export and China's and Indonesia's for the remainder. The Malayan smelting concerns imported the ore for smelting from Thailand, Burma and Indo nesia. The share of imported ore smelted in Malayan factories, in relatio to the total ore smelted, amounted to 25 per cent in 1937, 30 per cent i 1938 and 41 per cent in 1939.

During the early post-war years the export of tin metal from Malay rose only gradually, owing to the slow development of its ore productio and the delay in the rehabilitation of smelting enterprises. But after havin reached 48,000 metric tons in 1948, or 51 per cent of the 1937 figure, i increased by 7,700 metric tons in 1949, and by 27,400 tons in 1950. Th 1950 export, however, still lagged behind the pre-war (1937) export b 12 per cent.

Table 116. Direction of Tin Export from ECAFE Countries

(In metric tons)

Country	*Total export*	*United States*	*United Kingdom*	*Netherlands*	*Malaya*	*Other Europe countries*
Tin concentrate						
Burma						
1949	1,535	43	362	..	1,023	..
1950	1,433[a]	..	..	..	1,433	..
Indonesia						
1949	30,947	12,550	..	18,389	8	..
1950	31,708	9,666	..	22,004	38	..
Thailand						
1949	7,352[b]	2,611	..	..	4,740	..
1950	10,754[b]	2,496	..	15	8,242	..
Total						
1949	39,834	15,204	362	18,389	5,771	..
1950	43,895	12,162	..	22,019	9,714	..
Tin metal						
Hong Kong						
1949	3,313	1,877	121	87	..	652
1950	1,153	648	..	..	..	..
Malaya						
1949	55,662	44,605	75	284	..	5,336
1950	83,088	45,308	7,435	4,363	..	15,729
Total						
1949	58,975	46,482	196	371	..	5,988
1950	84,241	45,956	7,435	4,363	..	15,729

Source: International Tin Study Group: *Statistical Bulletin,* January 1951.

[a] Export to Malaya only.

[b] These figures disagree with those given in table 115a as they are the only avail data with country breakdowns published by the International Tin Study Grou their *Statistical Bulletin,* January-April 1951, table B – 7 on page 12.

Important post-war changes have also occurred in the export of tin from other countries of the region. Smelting factories have not yet been reconstructed in Indonesia and, as a result, there is no export of tin from that country. Thailand, which during the war and for a short time afterwards smelted the major part of its tin ore, ceased this activity in 1948 and up to now exports no tin metal. The export of tin metal from China in 1950 is believed to have remained at the same level as during the previous year, a little over 3,000 metric tons. There has been a significant change in the role of Hong Kong, which is not a producer but has traditionally acted as a re-exporter, mainly of tin metal imported from China. In 1949 it exported 3,313 metric tons of tin metal, of which almost 60 per cent went to the United States. In 1950, however, its export dropped sharply to 36 per cent of the 1949 figure, owing to changes in the direction of Chinese tin export.

Important changes occurred in the destination of tin exports from ECAFE countries (see table 116). Before the war the United States was an important buyer of tin metal from the region. The creation of a large smelting centre in Texas City in 1942, through allocations of the Reconstruction Finance Corporation, resulted in a large import of concentrates by the United States. In 1949 the United States imported 38,800 tons of tin concentrates of which over 15,200 tons, or roughly 40 per cent, were from Asia.

Indonesia, which before the war smelted only a small portion of its ore production, exported the main part of its concentrates to the Netherlands and the remainder to Malaya. The Netherlands' import of tin concentrates from Indonesia has increased from year to year since the end of war and in 1950 reached 22,000 tons, as compared with the average pre-war import of 16,400 tons. The United States, which had since the war become second in importance as a buyer of Indonesia's tin concentrates, imported from Indonesia 6,900 tons in 1947, 13,000 tons in 1948, 12,500 tons in 1949 and 9,700 tons in 1950. The export of Indonesian concentrates to Malaya was almost completely halted after the war.

The destination of tin concentrate exports from Thailand showed important modifications in the past few years. The United States began to import large quantities, and Malaya, which before the war imported the whole tin-concentrate production of Thailand, reduced its share correspondingly. Exports to the United States rose from 2,800 tons (53 per cent of total exports) in 1947 to 3,900 tons (70 per cent of total exports) in 1948, but dropped to 2,600 tons (33 per cent) in 1949 and 2,500 tons in 1950 (25 per cent). The remainder of the ore was exported to Malaya, which accounted for 47, 30, 67 and 75 per cent respectively in 1947, 1948, 1949 and 1950.

As a result of these developments, Malayan imports of tin concentrates from countries of the region, excluding a negligible quantity of Indochinese concentrates, were only 5,800 tons in 1949, increasing to 9,700 tons in

1950. These formed respectively 26 and 44 per cent of the pre-war (1937) import.

Tungsten

Countries of the ECAFE region were important pre-war sources of tungsten for the metallurgical industries of the highly-developed countries of the world. The principal exporter was China, which supplied almost half the world export of this metal, followed by Burma, Korea and Malaya. Other countries, such as Indochina and Thailand, exported insignificant amounts of tungsten. The region accounted for roughly two-thirds of the world production of this metal.

The post-war production of tungsten ore decreased sharply as a result of the destruction of mines and wear and tear of equipment. Chinese export of tungsten was fairly high but did not reach its pre-war peak. Burmese tungsten ore, sold to the United Kingdom, in 1947 attained only 20 per cent of its pre-war level. Since then, the production of tungsten ore has continued to decline in Burma and now reaches only 5 per cent of the pre-war level.

Tungsten was exported by the ECAFE countries mainly to the United States. In 1949 the latter purchased 62.5 per cent of its tungsten import from the region, the figure rising to 84 per cent in 1949. In 1948 and 1949 the United States obtained from China 44 per cent and 67 per cent respectively of its total import. During the same period the export to the United States from the Republic of Korea decreased from 817 tons to 397 tons, while that from Thailand increased to 349 tons. Following the proclamation of a state of emergency in the United States, the US Government instituted a control over the allocation of tungsten.

The re-export of Chinese tungsten ore from Hong Kong decreased sharply in 1950. In the first half of the year, Hong Kong re-exported 522 tons, representing only one-sixth of the Colony's total export in 1949. Malayan production in 1950 fell to 15 tons while, drawing on stocks, its export decreased to 111 tons.

The total export from Thailand showed a marked increase over pre-war, but there was a decrease to 728 tons during the first eleven months of 1950, this being 8 per cent below the 1949 level.

Antimony

Although only a few Asian countries produce antimony, the ECAFE region as a whole occupied during pre-war years a leading position in the production and export of this metal. Of the total antimony produced in the world, 45 per cent was mined in this region, whose share in the world export was much higher.

China was the sole important producer of antimony within the region its production and export in 1937 being estimated at more than 15,000 tons

In the post-war period there was a sharp decrease in China's production. During 1948 its export was only half the pre-war level, its shipments to the United States dropping from 2,491 tons in 1948 to 147 tons in 1949.

Export of antimony from Thailand during the last three years has risen by 76 per cent but the quantity remains insignificant, amounting to 280 tons in 1950.

In pre-war years Hong Kong re-exported a large quantity of antimony imported from China, but since the war and especially in 1950 there has been a sharp decline. In 1949 Hong Kong imported 1,750 tons and exported 1,197 tons. In 1950 imports declined by almost 90 per cent while exports, during the first eight months of the year, fell to less than one-fifth.

Mining of antimony was begun during the Second World War in Chitral State in Pakistan. Production rose to a peak of 406 tons in 1947. Following the partition the production of antimony was suspended. The question of working deposits on a commercial basis is now receiving the attention of the Government.

Manufactured Goods

Cotton Manufactures

Cotton piece-goods and cotton yarn have always constituted one of the most important items in the region's trade. Before the war all countries of the ECAFE region imported these commodities on a substantial scale. After the war, with the exception of China, India and Indonesia, they generally became still greater purchasers of cotton goods. National cotton textile industries are developing slowly, while post-war demand for cotton goods has increased, mainly as a result of the larger population and of the war-time exhaustion of the region's stocks. Table 117 gives comparable data regarding the trade in cotton piece-goods.

The region's post-war trade in cotton piece-goods as compared with pre-war times was characterized by a sharp drop in import and a rapid rise in export. Import into China, India and Indonesia fell drastically, while that into Ceylon, Indochina, Malaya and Hong Kong rose. Import into the Philippines dropped sharply in 1950 as a result of strict import control.

The largest increase in the import of cotton piece-goods took place in Malaya, which served as a re-exporting base mainly for British and Indian cloth. With the import into Malaya in 1950 almost two-and-a-half times the 1937 figure, export during the same period was six times the pre-war amount. Hong Kong's export during the last two years, especially 1949, also exceeded its import by a large figure.

The most important changes in cotton piece-goods trade occurred in India. India in pre-war years was a net importer, purchasing annually

Table 117. Import and Export of Cotton Piece Goods

Country and unit	*1937*	*1938*	*1948*	*1949*	*1950*
Import					
Burma (million metres)	..	156[a]	67[b]	21[b]	64[b]
Ceylon (million metres	61.4	58.0	67.8	85.7	85.6
China (million metres)	53	90	1.1	..	..
Hong Kong (million metres)	86.8[c]	67.0[c]	..	69.8	101.8
India (million metres)	548[d]	594[d]	32	84	6
Pakistan (million metres)			..	..	..
Indochina (thousand metric tons)	7.6	8.1	6.1	10.7	11.6
Indonesia (thousand metric tons)[e]	712	471	35	35	48
Malaya (million metres)[f]	130	105	246	161	292
Philippines (million sq. metres)	100	..	99	112	62
Thailand (thousand metric tons)	8.9[d]	14.2[d]	6.0[g]	7.0[g]	..
Export					
China (metric tons)	5,586	7,958	28,761	..	..
Hong Kong (million metres)	70[c]	78	..	102	130.2
India (million metres)	202	170	282	426	1,012
Malaya (million metres)[b]	31	24	90	63	174
Japan (million sq. metres)	1,942	1,590	283	524	923

Sources: Burma Quarterly Bulletin of Statistics; Ceylon Customs Returns; Trade of China; Hong Kong Trade Returns; Monthly Returns of the Foreign Trade of China; Statistical Abstract for the British Commonwealth; Foreign Commerce Yearbook; Malayan Statistics; Monthly Abstract of Statistics of India; Economic Bulletin of Indochina; Economic Review of Indonesia; Japanese Economic Statistics; Customs Department, Ministry of Finance, Thailand.

[a] Fiscal year beginning April.
[b] Fiscal year ending September.
[c] Estimated.
[d] 1937/38; 1938/39.
[e] For 1937, 1938 data in million metres.
[f] Data for 1950 in million square metres.
[g] Imports through Bangkok only.

an average of over 550 million metres during 1937 and 1938 and exporting only about 180 million metres. In the post-war years, India made a large cut in its import and began to act increasingly as a supplier of cotton piece-goods to other countries of the region.[6] Much of the increase in Indian cloth exports had occurred since the second half of 1949, when the Government abolished the duty on exports and removed the restrictive features of its export control. Further, in order to give Indian cloth greater competitive strength in the importing countries, the Government reintroduced price control on exports.

Indian cloth also became more competitive in foreign markets because devaluation had increased the relative price of cotton fabric from other textile-exporting countries such as the United Kingdom and Japan and because Indian mills had the advantage of cheap raw cotton, owing to the price control exercised by the Government. In 1950 a drastic cut in imports and a simultaneous increase in exports were brought about in order to meet the advance of an unfavourable trade balance. In that year India exported more than 1,000 million metres of cotton piece-goods, nearly five times the pre-war level, and overtook Japan as the leading exporter of cotton piece-goods among Asian countries. The principal markets for Indian cotton piece-goods were the Red Sea ports, East Africa and Malaya.

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[6] Part of this increase represents supplies to Pakistan which did not, of course rank as exports before the partition.

Pakistan's imports of cotton piece-goods from India showed a sharp drop in 1950, owing to difficulties arising from the different policies pursued by the two countries in regard to devaluation. Pakistan's needs for cotton piece-goods were covered by increased trade with the United Kingdom and Japan.

The export of cotton piece-goods from Japan had risen rapidly in recent years, the 1950 total exceeding that of 1949 by 45 per cent; it was, however, still only 47 per cent of the 1938 total. On 26 June 1950 the Supreme Commander for the Allied Powers gave the Japanese Government permission to remove the spindleage limitation of 4 million, which had been in operation since February 1947 in accordance with a decision of the Far Eastern Commission, with the result that there has been increased competition among textile exports in Asian markets.

Table 118. Import and Export of Cotton Yarn

(In metric tons)

Country	*1937*	*1938*	*1948*	*1949*	*1950*
Import					
Ceylon	..	..	560	23	163
Hong Kong	16,366	21,789	..	11,631[a]	18,921[a] [b]
India	10,758[c]	14,920[c]	4,677	9,698	1,427
Pakistan			..	..	..
Indochina	1,365	1,904	1,427	1,589	2,528[d] [b]
Indonesia	8,727	9,297	7,338	8,403	17,509[d] [b]
Malaya	..	..	603	2,693	5,277
Thailand	2,770[c]	4,212[c]	4,831[d]	5,764[d]	..
TOTAL	39,986	52,122	19,436	39,801	45,825
Export					
China	3,791	13,176	1,916	..	..
Hong Kong	11,538	16,055	..	16,643[a]	34,926[a] [b]
Malaya	..	..	265	1,822	4,660
TOTAL	15,329	29,231	2,181	18,465	39,586
Japan	27,072	20,940	5,500	9,638	11,934[b]

Sources: Ceylon Customs Returns, Hong Kong Trade Returns, Monthly Abstract of Statistics of India, Economic Bulletin of Indochina, Monthly Survey of the Republic of Indonesia, Malayan Statistics, Trade of China, Customs Department, Ministry of Finance, Thailand.

[a] Excluding cotton yarn and thread for retail sale (sewing, knitting, etc.).

[b] Estimated on the following basis: Hong Kong eight months, Indochina nine months, Indonesia, Japan ten months.

[c] For 1937/38; 1938/39.

[d] Data of import through Bangkok.

Important changes occurred in the trade in cotton yarn (see table 118). The 1949 import of the countries in the region barely reached the 1937 evel, but was only 76 per cent of the 1938 level. In 1950 however, imports

Table 119. Import of Petroleum Products

(In thousand metric tons[a])

Country	*1937*	*1938*	*1948*	*1949*	*1950*
Ceylon					
Kerosene	31	29	35	57	43
Motor spirit	47	41	78	83	90
Hard liquid fuel	339	426	459	674	652
China					
Kerosene	164	95	101	..	..
Gasoline	327	184	247	..	..
Other petroleum products	302	190	992[b]	..	..
Hong Kong					
Kerosene	81	57	..	59[c]	44[c] [d]
Motor spirit	70	48	..	150[e]	108[e] [d]
Other petroleum products	205	266	..	545	521[d]
India					
Kerosene	729[f]	653[f]	363	829	799
Motor spirit	338[f]	285[f]	364	557	643
Other petroleum products	711[f]	715[f]	..	..	..
Pakistan					
Petroleum products			..	..	..
Indochina					
Gasoline	32	36	58	87	92[d]
Other petroleum products	68	71	44[g]	64[g]	59[g] [d]
Indonesia					
Petroleum products	150	149	1,004	1,736	1,629[d]
Malaya[h]					
Kerosene	126	162	95	123	176
Motor spirit	444	461	240	431	701
Other petroleum products	740	665	1,344	2,166	2,329
Philippines					
Kerosene	57	..	109	125	148
Motor spirit	97	..	441	418	472
Other petroleum products	367	..	509	548	638
Thailand[i]					
Kerosene	30[f]	32[b] [f]	46	53	53
Motor spirit	20[f]	21[b] [f]	60[j]	79[j]	88[j]
Other petroleum products	67[f]	69[b] [f]	64	77	118
Total ECAFE					
Kerosene	1,217	1,028	747	1,245	1,263[d]
Motor spirit and gasoline	1,375	1,076	1,487	1,804	2,194[d]
Other petroleum products	2,948	2,551	4,416	5,811	5,946[d]
TOTAL	5,539	4,656	6,651	8,860	9,402[d]
Japan					
Gasoline	287	..	230	243	65[d]
Crude oil	4,222	..	..	..	1,052[d]
Other petroleum products	398	..	1,249	1,478	776[d]

Sources: Statistical Abstract for the British Commonwealth, sixty-ninth number *Foreign Commerce Yearbook, 1939; Ceylon Customs Returns; Hong Kong Trad Returns; Trade of China; Monthly Returns of the Foreign Trade of China; Monthl Abstract of Statistics of India; Economic Bulletin of Indochina; Java Bank Repo for the Financial Year 1949/50; Economic Review of Indonesia; Japanese Econom Statistics;* Customs Department, Ministry of Finance, Thailand; *Malayan Statistic Penerbitan Kantor Pusat Statistik, Republik Indonesia.*

[a] Products recorded in units other than metric tons have been converted at th

rose by 15 per cent over 1949; Indochina, Indonesia and Malaya increased their imports by large quantities, although there was a considerable decline in the imports of India. In 1949 the total export of cotton yarn by countries of the region was estimated at only 63 per cent of the 1938 level, whereas in 1950 it was considerably in excess of the latter.

The export of cotton yarn from Hong Kong almost doubled during 1950, with the result that Hong Kong became the leading exporter of cotton yarn in the region. Its exports were almost double its imports. The export of cotton yarn from Japan continued to increase but in 1950 it was still only 44 per cent of the best pre-war level.

Crude Petroleum and Products

Because of limited petroleum reserves or production, most countries in the region have to depend upon imports, chiefly from producing countries within the region (Indonesia and British Borneo), but also from extra-regional countries, mainly Iran. Data available for trade in petroleum products for a number of countries in the region are incomplete but nevertheless give an idea of the significant changes which have occurred (see table 119).

The region's post-war import of petroleum products rose upon the rehabilitation of industry and transport, and soon exceeded the pre-war level. Excluding Japan, the region's import of petroleum products rose from 120 per cent of the 1937 level in 1948 to 160 per cent in 1949, and to 171 per cent in 1950. These figures would be higher if information were available on the import of other petroleum oils by India, and of petroleum products by China.

Import of other petroleum oils by countries of the region excluding Japan exceeded the 1937 level by 50 per cent in 1948, by 97 per cent in 1949, and by 102 per cent in 1950. To a smaller extent, import of motor spirit and gasoline by all countries of the region excluding Japan exceeded the 1937 total by 8 per cent in 1948, by 31 per cent in 1949, and by 66 per cent in 1950. The smallest change was shown by kerosene, which is one of the most important consumer products for the mass of the Asian population. In 1948 the total regional import was 61 per cent of the 1937 level;

Notes to table 119 (*continued*)
following rates of kilogramme per litre: crude oil — 0.88; motor spirit and gasoline — 0.73; kerosene — 0.79; hard liquid fuel — 0.93; gas oil and relatives — 0.92.

[b] Only liquid fuel.

[c] Including lamp oil and white spirit.

[d] Estimated on the following basis of figures for the following months: Hong Kong eight months; Indochina nine months; Indonesia and Japan ten months.

[e] Including gasoline and light oil.

[f] Respectively for the years 1937/38 and 1938/39; Indian pre-war data for undivided India.

[g] Incomplete data.

[h] Excluding lubricating oils for the years 1949 and 1950.

[i] For the years 1949 and 1950 there are no data of trade through other ports than Bangkok.

[j] Benzine.

in 1949 it rose sharply to 103 per cent, while in 1950 it increased by 1.4 per cent over the 1949 level.

India and Japan were the major pre-war importers of petroleum products in the AFE region, accounting respectively for 17 per cent and 47 per cent of the region's import. Japanese import consisted mainly of crude oil (85 per cent), while Indian import was made up of different petroleum products.

Important changes occurred in the post-war period. China's share in the regional import increased from 8 per cent in 1937 to 17 per cent in 1948, as a result of a drop in the country's coal production and the partial replacement of coal by liquid fuel. The import into the mainland of China later declined owing to the embargo by the United States. It is estimated that Indian import continued to rise steadily and in 1950 exceeded the pre-war level by 35 per cent, representing about 25 per cent of the region's import of petroleum products. Increased imports made possible an end to the rationing of petroleum products on 22 October 1950 throughout India, although it was retained in the Uttar Pradesh in order to ensure increased utilization of power alcohol admixed with petrol as motor fuel.

Japanese import, which dropped sharply after the war, has risen slowly. Although Japan continued to import mainly crude oil, though on a greatly reduced scale as compared with pre-war, import of other petroleum products increased. Crude oil produced in Japan barely meets 10 per cent of the total demand. Refined oil had been imported until 1949. Early in 1950, the operation of refining plants along the Pacific coast was resumed, with the result that import of refined petroleum was on the whole replaced by that of crude petroleum.

The greatest post-war increase in imports of petroleum products occurred in Malaya. The 1937 import accounted for 13 per cent of the region's total import; in 1949 the share increased to 26 per cent and in 1950 to 29 per cent. The doubling of Malayan import compared with pre-war was due to the increased use of petroleum products by the British Army in Malaya and the growing importance of Malaya as a base for re-export to other Asian countries.

On account of heavy wartime destruction of wells and refineries, Indonesia's share in the region's petroleum import rose to 16 per cent in 1949 compared with 1.4 per cent before the war. In 1950, however, its impor dropped by 6 per cent below the 1949 level and its share in the region' import dropped to 14 per cent.

There was also a sharp increase in the import of petroleum product by the Philippines, the 1950 total being 240 per cent that of 1937, owing to the increased needs of the United States Army and Navy based on thi territory and the greater number of motor vehicles in use. Among othe countries of the region, the import by Ceylon and Hong Kong was almos twice pre-war. Indochina and Thailand imported respectively 50 per cen and 80 per cent more than before the war. During 1950 there was tendency towards decline of these imports, particularly in Ceylon, Hong Kong and Indonesia.

Table 120. Export of Petroleum Products
(In thousand metric tons)

Country	*1937*	*1938*	*1948*	*1949*	*1950*
Burma					
Petroleum oils	865	811	..	..	..
Sarawak					
Kerosene	44	71			
Motor spirit	66	97	2,674[a]	3,313[a]	..
Other petroleum oils	600	719			
ndonesia					
Petroleum oils	5,972	6,067	3,850	5,692	5,584[b]
Hong Kong					
Kerosene	75	52	..	37[c]	28[c] [b]
Motor spirit	44	36	..	57[d]	66[d] [b]
Other petroleum oils	93	92	..	76	69[b]
Malaya					
Kerosene	86	118	108	91	115
Motor spirit	342	371	186	306	523
Other petroleum oils[e]	238	293	685	1,173	1,277
Total					
Kerosene	205	241	108	129	143
Motor spirit	451	505	186	362	589
Other petroleum oils	7,768	7,982	7,208	10,254	6,927
GRAND TOTAL	8,424	8,728	7,501	10,745	7,659[f]

Sources: Statistical Abstract for the British Commonwealth, sixty-ninth number; *Hand Book of Sarawak; Economic Review of Indonesia; Java Bank Report for the Financial Year 1949/50; Hong Kong Trade Returns; Malayan Statistics; Penerbitan Kantor Pusat Statistik, Republik Indonesia.*

[a] Including crude and refined petroleum.

[b] Estimated on the following basis: Indonesia eleven months, Hong Kong eight nonths.

[c] Including lamp oil and white spirit.

[d] Including gasoline and light oil.

[e] Data for the years 1948, 1949, 1950 excluding lubricating oil.

[f] Data for Sarawak not included.

Important changes occurred, and continue to occur, in the *export* of etroleum products from the region, which in 1950 showed an increase of 0 per cent over the 1937 level. The share of Indonesia and Burma, the wo leading exporters, in the region's export dropped considerably, while he share of other countries showed significant increases. Nevertheless, ndonesia has regained almost completely its pre-war production and xport of petroleum products; in 1949 its export rose to 94 per cent of hat in the best pre-war years, but dropped a little during the first ten nonths of 1950. At the same time its share in Asian export of petroleum roducts decreased from 71 per cent in 1937 to 51 per cent in 1950. ndonesia, however, continues to be the most important petroleum-exporting country in the region. Burma, on the other hand, has temporarily lost its importance. Burmese exports, which stopped almost completely at the end of the war, have not yet been resumed. The present level of production and refining in the country cannot satisfy even the domestic requirements. Burma, which was the main supplier of petroleum products to India before the war, has now become a net importer of petroleum products. Negotiations between the British oil companies and the Burmese Government in 1949 regarding the payment of war-damage compensation and loans for rehabilitation were unsuccessful. The United Kingdom Government decided that it was not able to guarantee beyond 1950 the financial position of British companies in Burma. As a result, the companies dismissed a large number of their workers and stopped restoration of oil production.

The British Borneo Territories have shown a sharp rise in their export of petroleum. Before the war, they were the third exporter of petroleum in the region but, with a rapid post-war increase in production and refining, they achieved second place, having increased their export as compared with pre-war by four times in 1948 and by five times in 1949. They now account for more than 30 per cent of the region's export of petroleum products, as compared with 8 per cent in 1937. Almost the whole of the oil, approximately 99 per cent, is produced in Brunei and is transported to Sarawak, where it is refined and re-exported to other countries in the region.

Iron and Steel

Trade data for iron and steel are not uniform for all countries of the region; therefore in certain cases the import figures, as given in table 121 may be neither complete nor comparable.

The over-all import of iron and steel by countries of the AFE region remains at a very low level. In 1950 it was about one-third of pre-war, o one-half if Japan were excluded.

Hong Kong and the Philippines are the only countries in the region which have increased their imports of iron and steel over pre-war levels Hong Kong is not a large consumer but re-exports these products. Durin 1950, import of iron and steel showed a marked increase over 1949 i India, Hong Kong and Malaya, and there was also a slight increase i Ceylon's import, but that of Indochina, the Philippines and Indonesi declined sharply.

The United Kingdom and the United States were the principal supplier of iron and steel to the AFE region, the former supplying mainly th Commonwealth countries, and the latter the Philippines, Hong Kong an Japan.

Japanese export of iron and steel to the ECAFE countries was sma in comparison with pre-war. There was also a marked change in i

Table 121. Import of Iron and Steel

(In thousand metric tons)

Country	*1937*	*1938*	*1948*	*1949*	*1950*
Ceylon	47	37	31	45	46
China	631	186	204	..	
Hong Kong	82[a]	30[a]	..	121	182[b]
ndia[c]	419[d]	264[d]	145	190	322
Pakistan			..	..	..
ndochina	53	47	23[e]	78[e]	45[e] [b]
ndonesia	332	262	88	165	79[b]
Malaya[f]	198	139	78	114	173[b]
Philippines	89	..	69	134	114
Thailand	49[d]	61[d]	8	17[g]	..
TOTAL	1,900	1,026	648	864	960
apan[h] [b]	995	1,092	12	146	0.08[b]

Sources: Foreign Commerce Yearbook; Statistical Abstract for the British Common-wealth; Ceylon Customs Returns; Hong Kong Trade Returns; Monthly Abstracts of Statistics of India; Economic Bulletin of Indochina; Economic Review of Indonesia; apanese Economic Statistics; Malayan Statistics; Customs Department, Ministry of inance, Thailand; *Trade of China* and *Monthly Returns of the Foreign Trade of China.*

[a] Only bars and tin plate.

[b] Estimated on the following basis: Hong Kong eight months; Indochina nine months; ndonesia, Malaya and Japan ten months.

[c] For 1937, 1938, 1948 data related to undivided India.

[d] For 1937/38 and 1938/39.

[e] Including pipe, nail bolt and ferro-alloy.

[f] Excluding safes, cooking and household utensils, baths, bedsteads, boxes, trunks and crews for 1948, 1949, 1950; for 1937, estimated.

[g] For the second part of the year only through Bangkok.

[h] Pig iron and tin plate.

irection. Before the war, Japan's export went mainly to the Chinese mainand, Korea and Taiwan, whereas in 1949 only 20 per cent went to these ountries and about 50 per cent to the ECAFE region as a whole. At the nd of 1950, Japanese metallurgical industries received large orders from SCAP in connexion with the requirements in Korea.

Machinery and Transport Equipment

Machinery and transport equipment are of special significance among he imports of the ECAFE region, as they tend to determine the level and empo of post-war rehabilitation and development. The available statistics, y countries, are given in tables 122 and 123. As it is not possible, on ccount of the nature of trade data, to give subsidiary items under the eading of machinery, all machines are lumped together.

The item "Transport equipment" includes road vehicles, locomotives, ircraft, ships and vessels, as well as spare parts. This does not, however, pply to all countries, in view of the extremely divergent types of statistical ata available.

Import of machinery in 1937 into countries of the ECAFE region excluding China) formed about 7.6 per cent of the region's total value

Table 122. Import of Machinery

(In million dollars)

Country	*1937*	*1938*	*1948*	*1949*	*1950*[a]
Burma	5.2[b]	4.3[b]	9.2[c]	3.1[c]	1.5[c]
Ceylon	2.8	3.1	7.0	9.6	7.5
China (mainland)	22.7	18.6	32.7	10.0[c]	3.4[c]
Hong Kong	2.8[b]	4.4[b]	15.9[c]	20.1	17.4
India	69.1[b]	79.5[b]	230.3[d]	297.4[d]	180.6[d]
Pakistan			17.2[e]	25.0[e]	30.0[e]
Indochina	2.9	3.9	15.8	26.5	13.5
Indonesia	23.8[f]	27.5	33.0	46.6	29.3
Malaya	9.1	10.9	19.9	21.3	22.4
Philippines	29.9[c]	36.6[c]	42.6[c]	46.9[c]	36.8[c]
Thailand	4.4[b]	4.7[b]	4.0[c]	7.2[c]	7.7[c]
TOTAL	172.7	193.5	427.5	513.5	350.2
Japan	47.9	68.8	..	1.9	4.9

Sources: Foreign Commerce Year Book; Statistical Abstract for the British-Commonwealth; Ceylon Customs Returns; Trade of China; Monthly Returns of Foreign Trade of China; Hong Kong Trade Returns; Monthly Abstract of Statistics of India; Japanese Economic Statistics; Malayan Statistics; Central Bank of the Philippines, *Statistical Bulletin;* International Monetary Fund, *Pre-war and Post-war Trade Patterns of the Philippines* and *Accounts Relating to Trade and Navigation of the United Kingdom.*

[a] Estimated on the following basis: Hong Kong eight months; Indochina nine months; Burma, China, Philippines, Pakistan, Thailand 6 months, Indonesia ten months and Japan eleven months.

[b] For 1937/38, 1938/39. Indian data for undivided India.

[c] Only import from the United States and the United Kingdom; for China excluding import into Taiwan.

[d] Including all machinery, apparatus, belts and spare parts for machinery.

[e] For 1948/49; 1949/50; 1950/51.

[f] Including some electrical goods.

of imports; in 1950 the share remained unchanged as in 1937. By value imports arose above pre-war by two-and-a-half times in 1948, by thre times in 1949, but by one time in 1950. Since, however, post-war prices fo machinery had increased considerably as compared with pre-war, th quantity of post-war machinery imports into the region would have bee substantially less than pre-war.

The greatest increase in import value occurred in India, although ther was a drop of 39 per cent in 1950 compared with 1949. At the same tim import into Pakistan increased significantly by 20 per cent. Burma, Indonesia and the Philippines had the lowest level of machinery import i comparison with pre-war. Malaya and Hong Kong are both consumer and re-exporters of machinery, as of many other commodities. Impor value of machinery to these territories rose sharply over pre-war. Re-expor increased at the same time, in 1950 accounting for more than 20 per cen of the entire machinery import of Malaya and rather more in the case o Hong Kong.

The United States and the United Kingdom are the main post-wa suppliers of machinery to countries of the region. Their share in th region's value of machinery imports increased sharply, mainly as a resu f the loss of the Asian market by Japanese, German and other industries. mport value of machinery from the United Kingdom into the region ncreased in 1949 by 3.6 times over pre-war; in 1950, however, it dropped o 75 per cent of the 1949 total. The 1950 import into Ceylon, India, ndonesia and Malaya decreased considerably, but that into Pakistan howed a rise. The major part of the machinery imported from the United ingdom was supplied to the Commonwealth countries, India taking about 0 per cent.

The region's value of imports of machinery and equipment from the nited States increased in still greater proportion than, and even exceeded, at from the United Kingdom in 1949. During the first half of 1950, owever, it dropped sharply, amounting to only 63 per cent of the average alf-yearly import for 1949.

In 1949 imports from the United States to the Commonwealth countries f the region amounted to more than 55 per cent of the region's total import f American machinery, India alone taking 40 per cent. There were also gnificant increases in such imports by Indonesia and the Philippines. uring the first half of 1950, United States exports to all countries of the gion except Taiwan declined, the greatest fall taking place in the mainnd of China.

The export of machinery from Japan to the ECAFE countries, especially akistan, India, Thailand, Hong Kong and Indonesia, increased considerbly during the last two years but was still at a low level in comparison ith pre-war.

The reduction of machinery import into ECAFE countries in 1950 ould seem to indicate a decrease in the tempo of rehabilitation and evelopment.

Transport equipment plays an important role in the rehabilitation and evelopment of the economies of ECAFE countries. Although some counies in the region have taken steps to create national industries capable supplying the necessary equipment and spare parts, the region connued to depend mainly on imports from the industrially-developed untries. Import of transport equipment into countries of the ECAFE gion (excluding China) accounted for 3.6 per cent of the region's total ports in 1937, which in 1950 declined to 3.2 per cent. The highest postar import of transport equipment occurred in 1949, when imports rose value by about 200 per cent over pre-war.[7]

In 1950, the region's import of transport equipment dropped to roughly per cent of the 1949 level, and below pre-war in volume. This drop, hich according to available statistics was due to a decrease in the import motor cars and equipment, might have been apparent rather than real, figures on government import of transport equipment, including railway

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[7] The figures on the import of transport equipment into the region are necessarily tative, as they do not include imports on government account in several countries the region.

Table 123. Import of Transport Equipment
(In million dollars)

Country	*1937*	*1938*	*1948*	*1949*	*195*
Burma	2.2[b, c]	1.7[b, c]	10.5[d]	4.0[d]	3.
Ceylon	6.0[b]	1.4[e]	11.9	9.1	6.
China	8.3[f]	7.9[f]	21.0[d]	4.0[d]	0.
Hong Kong	1.1[e]	3.3[e]	7.6[d]	12.5	8.
India	26.4[c, g]	20.7[c, g]	91.6[g]	84.7[g]	43.
Pakistan	–	–	14.3[h]	18.7[h]	19.
Indochina[b]	2.5	2.5	14.6	19.1	9
Indonesia	13.9[i]	20.7[i]	21.9	31.4	12
Malaya	11.1[f]	7.8[f]	36.1	28.5	25
Philippines	6.0[j]	8.1[j]	32.7[d]	31.4[k]	13
Thailand	1.6[e]	2.3[e]	3.5[d]	6.7[d]	6
TOTAL	78.9	76.3	265.7	249.7	149

Sources: Statistical Abstract for the British Commonwealth; Foreign Comme Yearbook; Ceylon Customs Returns; Trade of China; Monthly Returns of the Fore Trade of China; Hong Kong Trade Returns; Monthly Abstract of Statistics of Ind Economic Bulletin of Indochina; Economic Review of Indonesia; Malayan Statisti Statistical Bulletin; Central Bank of the Philippines; *Summaries of Philippine Fore Trade; Accounts Relating to Trade and Navigation of the United Kingdom; Uni States Exports of Domestic and Foreign Merchandise; Pakistan Trade.*

[a] Estimated on the following basis: for Hong Kong eight months; Indochina n months; Burma, China, Pakistan, Philippines and Thailand six months; Indonesia Malaya ten months.

[b] Excluding railways, aircraft equipment and ships.

[c] For the years 1937/38 and 1938/39. Indian data for undivided India.

[d] Only import from the United States and the United Kingdom; for China exclud import into Taiwan.

[e] Only automobiles.

[f] Excluding ships and aircraft.

[g] Excluding locomotives for railways, etc.

[h] For 1948/49, 1949/50, 1950/51.

[i] Excluding railways equipment and ships.

[j] Only automobiles, trucks, parts and tyres.

[k] Including spare parts.

locomotives and equipment, are not taken into account. Indonesia and Philippines reduced their import of transport equipment by approxima 59 per cent and 56 per cent respectively, India and Indochina by alm 50 per cent and Ceylon by 25 per cent. Malaya and Hong Kong also redu their imports of transport equipment, re-exports from Malaya dropp slightly while those from Hong Kong remaining approximately the sa during the first six months of 1950.

The United Kingdom and the United States are the most impor suppliers, their exports in 1949 accounting for approximately 90 per of the region's total import of transport equipment (see table 124). Imp from Japan increased steadily during the last few years.

In 1949, the United Kingdom contributed to 49 per cent of the regi import of transport equipment. In 1950 United Kingdom exports decl by 11 per cent, those to Indonesia and Indochina falling by 23 and 38 cent respectively. United Kingdom exports to Hong Kong, Pakistan Thailand, however, increased by 20, 19 and 14 per cent respectively.

Countries from the United Kingdom and the United States

(In million dollars)

Country	Machinery						Transport equipment					
	United Kingdom			United States			United Kingdom			United States		
	1948	*1949*	*1950 first half*	*1948*	*1949*	*1950 first half*	*1948*	*1949*	*1950 first half*	*1948*	*1949*	*1950 first half*
British Borneo	3.3	4.2	1.2	..	..	..	..	..	..	..	..	..
Burma	7.1	2.3	0.7	2.1	0.8	–	10.0	3.8	1.6	0.4	0.3	–
Ceylon	5.3	7.4	2.5	2.5	3.3	1.2	7.5	7.4	2.6	1.6	1.6	0.5
China:												
Mainland	9.9	2.5	0.7	24.9	7.5	0.9	0.9	0.2	0.2	20.1	3.8	0.1
Taiwan	..	..	..	1.4	6.5	3.7	..	..	..	0.8	13.5	2.6
Hong Kong	6.8	8.6	4.0	9.2	10.2	3.8	5.0	9.8	7.0	2.7	7.1	1.0
India	135.6	146.5	55.8	59.8	86.9	25.6	52.7	59.9	22.1	39.8	23.8	7.3
Indochina	..	..	..	3.7	4.2	1.3	1.5	1.2	0.3	2.3	1.9	0.9
Indonesia	10.5	10.1	3.8	17.1	29.4	6.4	6.5	11.8	1.2	15.0	21.8	2.7
Korea (South)	..	..	..	0.8	1.6	0.5	..	..	..	0.2	2.0	1.0
Malaya and Singapore	13.5	14.1	5.8	8.4	10.2	2.8	26.9	22.2	10.2	2.9	2.4	0.6
Pakistan	8.0	12.4	7.1	3.6	13.3	4.3	7.7	15.4	9.2	1.6	10.7	5.3
Philippines	0.9	1.2	0.6	41.8	45.7	17.8	..	..	..	32.7	25.2	6.9
Thailand	1.5	2.8	1.6	2.5	4.4	2.2	1.9	3.1	1.6	1.6	3.6	1.4
TOTAL, ECAFE	202.4	212.0	83.9	177.7	224.0	70.5	120.6	134.8	55.8	121.7	117.7	30.2

Sources: Accounts relating to Trade and Navigation of the United Kingdom; United States Exports of Domestic and Foreign Merchandise.

Imports of transport equipment from the United States represente a rather smaller proportion in the regional total, although the value im ported from the United States has increased greatly since the war. Figure available for the first half of 1950 show a considerable decrease in America exports to the countries of the region, e.g. Hong Kong, India, Indonesi the Philippines and especially to the mainland of China.

Chemical Fertilizers

In spite of increased productive capacity, the countries of the AF region still depend to a large extent upon imports to fill their increasin requirements for commercial fertilizers. Of the total reported supplies 1949/50, imports from other continents accounted for one-half of th nitrogen, almost one-fourth of the phosphoric acid, and all the potas No country was self-sufficient in nitrogenous fertilizers. Japan and Ind were the only countries not requiring imports of phosphoric acid.

For the first time since the war, world supplies of most fertiliz materials were reported sufficient to meet effective world demand. Shorta of foreign exchange, however, remains a limiting factor in the region.

With increasing domestic production, the region's imports of nitrog are expected to be somewhat smaller in 1950/51. Compared with th previous year, imports of nitrogen into Japan are expected to be 43,0 tons less, and imports into India are expected to be about the same. Initi production in token quantities from the plants now under construction India will probably add to the available supply.

It is impossible to evaluate, at this time, the effect of the current di turbed conditions in Korea on the fertilizer situation. A prolonged confl would not only curtail consumption in the region, but might also affect t production programmes of countries both within and outside the regio Either circumstance would change the estimates and plans made earli in the year.[8]

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[8] See *supra,* section on Fertilizers in chapter VIII on "Food and Agriculture".

CHAPTER XIV

Public Finance*

In a majority of the countries of the region the trend towards rising ıdget deficits of the post-war period continued in 1950, as may be noted om the data shown in table 125. Significant increases over the budgetary ficits of 1949 occurred in Ceylon, India, Indonesia, the Philippines and ıailand. In Japan, Burma and Pakistan, however, the trend was reversed. the latter two countries the over-all deficits were smaller than those 1949, whereas in Japan a surplus was achieved for the first time during e post-war period.

The over-all effects of budgetary policies on the national economies of e region will be discussed in a subsequent chapter.[1] It may be noted re, however, that the deficits shown in table 125 for certain countries, .g. India and Ceylon) tend to overstate the inflationary impact of vernment financial operations, in that they reflect government expendides abroad, which do not increase domestic money incomes.

In India, for example, the over-all deficits reflect the substantial governent purchases abroad of food-grains and other essential goods. To the tent that these purchases made available consumer goods which would t have been imported on private account, they were deflationary. In ylon increasing subsidies on imported rice and other essential foodstuffs, counting in large part for the continued rise in the budget deficit in cent years, were the most important method of checking the rise in the st of living.

A second factor which prevents a correct assessment of the inflationary ect of budget deficits in the area is the lack of comprehensive and suffintly detailed information on the methods of financing the deficit. The vernment accounts, in most cases, do not make a clear distinction between rrowing from the public and borrowing from central banks.[2] Where the pply of private loanable funds is relatively limited, as is the case in most untries of the region, government borrowing from the public is not lationary when it absorbs savings which would otherwise have been lized for private investment. Borrowing from the banks of issue, the of idle cash balances and the issue of currency for the purpose of icit financing, on the other hand, are generally inflationary, as they lead a direct increase in the means of payment and in money income.

Prepared by the Fiscal Division, Department of Economic Affairs, United Nations.
See chapter XVI on "Prices".
See *infra,* chapter XV on "Currency and Credit" section on Monetary Authority.

The survey of public debt developments in the last section of this chapte indicates that in most countries in the region, borrowing from the publi has not been significant in the post-war period. Budget deficits have bee financed largely by borrowing from the central banks, running down o accumulated cash balances and direct issue of currency. This has been th case particularly in Indonesia, the Philippines, Thailand, and, to a lesse extent, in Burma, India and Ceylon.

In *Ceylon* less than half of the deficit for 1950 (i.e., Rs. 74.3 million) wa financed by borrowing the current savings of the people.[3] In *India,* wher a fairly strong market for government securities had been develope during the war, the Government's effort to place long-term securities wit the public have not been successful in recent years. The internal de actually declined by over 400 million rupees during 1949/50 and 1950/5 The Government has had to rely largely on small savings, the reserve fun of the railways and the accumulated cash balance, in order to cover th deficits of recent years. The cash balance, which at the end of 1947/4 amounted to 2,739 million rupees, had been reduced to 954.2 million the end of 1950/51 and was expected to be further reduced to 430.5 milli by the end of March 1951.

Detailed information on the actual results of government financi operations for 1950 in the mainland of *China* is not available. Accordi to a statement of the Vice-Minister of Finance[4] the over-all deficit f 1950 was about 16 per cent of total expenditure as compared with budgeted deficit of 18.7 per cent.[5] This result appears to have been achiev through retrenchment in civil expenditure and through an increase revenue, in view of the fact that actual expenditure rose by approximate 14 per cent over the original estimates as a result of increased outlays f defence and for unemployment and flood relief.

The deficit was covered by a bond issue, originally planned at 2 million fen, of which 70 per cent was subscribed during 1950, by issue currency and by a loan from the Union of Soviet Socialist Republics.

In *Japan* the stabilization policy inaugurated in 1949/50 in accordan with the recommendations of two technical missions from the United Stat had proved successful. A sharp increase in tax revenue as a result both improved tax collection and far-reaching changes in the tax structu more than offset the rise in expenditure and reversed the post-war tre of mounting deficits. An over-all deficit of 124 thousand million y for the fiscal year ending in March 1950 was turned into a surplus 125.4 thousand million yen for the fiscal year 1950/51. The latter figu does not take into account United States aid of which the local curre unterpart has been used, together with the budget surplus, to reduce pan's net internal debt from 434.7 thousand million yen on 31 March 50 to an estimated 331.2 thousand million a year later.

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[3] Central Bank of Ceylon, *Annual Report for the Year 1950,* p. 10.

[4] "Report on financial operations during 1950 and programme for 1951", *Peo Daily,* Peking, 28 February 1951.

[5] The budgeted deficit for 1950 was estimated at approximately 521 million fen in 1949 *Survey* for the region (see p. 159). The *fen* is a commodity unit worth 3 kilo rice, ¾ kilo of wheat flour, 1⅓ metres of cloth, and 8 kilos of coal.

Pakistan's accounts for the year ending in March 1951 closed with a latively small over-all deficit of 51.7 million rupees as compared with 4.8 million in 1949/50. This decided improvement in the budgetary sition was due almost entirely to an unprecedented rise in the yield of port duties as a result of the export boom following the outbreak of ar in Korea. Over-all expenditure was maintained practically at the me level as in 1949/50, largely as a result of substantial cutbacks in vestment outlays and in loans and advances to local authorities for nilar purposes.

The sharp rise in both the volume and value of *Malaya's* chief exports, bber and tin, in the latter half of 1950 also had an immediate effect on e public finances of that country. Federal revenue rose from 334.9 million alayan dollars in 1949 to 401.3 million in 1950, mainly because of a sharp crease in the yield of export duties and to a somewhat lesser extent in venue from import duties. Taking into account the finances of the ovincial governments as well as those of the Federation, the rise in stoms duties had been responsible for turning a budgeted deficit for 50 of some $M 7 million to a surplus of about $M 47 million according the revised estimates for the period.

The Government of *Burma* succeeded in maintaining expenditure at a mewhat lower level than in the previous year by cutting defence and vestment outlays. At the same time increased revenues, mainly due to ise in profits from the rice-export government monopoly, were sufficient reduce substantially the over-all deficit from 84.1 million rupees in 49 to 41.9 million in 1950.

The lack of information on the public finances of the three *Associated ates of Indochina* makes it impossible to obtain a comprehensive picture r the whole territory in 1950. The ordinary "budget for the common rvices" in 1950, financed mainly through receipts from customs duties, s balanced at some 1,635 million piastres as compared with 1,891 million 1949. The reduction was due in part to the transfer of property taxes, ath duties and various other taxes to the States as a result of the assumpn of sovereign powers in accordance with the agreements reached at the u Conference in November 1950. Customs duties, which in 1950 counted for 85 per cent of the budget for the common services as comred with 67 per cent in the previous year, rose by about 10 per cent over original estimates.

The inflationary pressures which prior to the outbreak of the Korean r were already in existence in several countries of the region, and to ich budget deficits were among the main contributing factors, were eatly intensified as a result of the export boom in the latter half of 50.

Table 125. Government Revenue, Expenditure and Surplus/Deficit

(In million units of local currencies)

	1947/48	*1948/49*	*1949/50*	*1950/51*	*1951/52*
Government revenue					
British Borneo: ($M)					
Brunei	4.4	6.6	..	..	..
North Borneo	7.2	8.0	10.8	15.3	*16.6*
Sarawak	12.9	15.7	14.1	..	..
Burma (rupee)	550.6	409.5	444.9	*465.8*	..
Ceylon (rupee)	541.5	576.1	623.3	*824.4*	..
China (mainland) (fen)	..	..	..	*2,260.0*	..
Hong Kong ($HK)	164.3	194.9	264.3	*204.1*	..
India (rupee)	1,856.8	3,717.0	3,503.8	3,872.1	*4,010.4*
Indochina (piastre)	742.1	1,793.7	1,891.5	1,636.0	..
Indonesia (rupiah)	629.3	2,003.2	2,602.2	*6,926.8*	*7,752.6*
Korea (won)	15,923.0	37,047.0	..	..	..
Malaya ($M)	129.7	260.5	344.9	401.3	*410.3*
Pakistan (rupee)	*206.1*	587.0	714.2	1,201.7	*1,127.6*
Philippines (peso)	361.0	384.8	317.7	*379.5*	419.1
Singapore ($M)	76.6	73.8	110.0	*102.8*	..
Thailand (baht)	910.1	1,482.1	1,254.8	*1,596.7*	*(2,200.0)*
Japan (thousand millions of yen)	371.3	967.0	1,541.4	2,093.0	*1,041.5*
Government expenditure					
British Borneo: ($M)					
Brunei	1.8	3.7	..	..	..
North Borneo	11.9	10.5	16.7	14.5	*10.5*
Sarawak	11.0	13.0	19.2	..	..
Burma (rupee)	473.8	493.6	486.8	*574.2*	..
Ceylon (rupee)	595.7	670.4	711.7	*930.4*	..
China (mainland) (fen)	..	..	..	*2,781.0*	..
Hong Kong ($HK)	185.0	197.7	203.8	*200.8*	..
India (rupee)	2,134.8	4,292.2	4,210.1	5,050.0	*5,227.4*
Indochina (piastre)	933.1	2,612.2	1,891.5	1,635.2	..
Indonesia (rupiah)	1,824.0	3,548.7	3,907.1	8,553.7	*8,255.9*
Korea (won)	27,378.0	49,410.0	..	..	..
Malaya ($M)	222.8	326.5	239.8	*202.1*	*349.0*
Pakistan (rupee)	*585.1*	1,070.7	1,249.0	1,253.4	*1,631.1*
Philippines (peso)	357.8	425.1	485.7	*523.0*	*573.8*
Singapore ($M)	62.6	92.5	102.1	*104.4*	..
Thailand (baht)	909.3	1,362.7	*1,577.7*	*2,052.1*	*(2,500.0*
Japan (thousand millions of yen)	461.8	1,069.6	1,665.8	1,967.6	*1,083.1*
Government surplus or deficit					
British Borneo: ($M)					
Brunei	+ 2.6	+ 2.9	..	..	..
North Borneo	— 4.7	— 2.5	— 5.9	+ 0.8	+ 6.
Sarawak	+ 1.9	+ 2.7	— 5.1	..	..
Burma (rupee)	+ 76.8	— 84.1	— 41.9	— *108.4*	..
Ceylon (rupee)	— 54.2	— 94.3	— 88.4	— *106.0*	..
China (mainland) (fen)	..	..	..	— *521.0*	..
Hong Kong ($HK)	— 20.7	— 2.8	+ 60.5	+ *3.3*	..
India (rupee)	— 278.0	— 575.2	— 706.3	— 1,177.9	— *1,217.*
Indochina (piastre)	— 191.0	— 818.5	–	+ 0.8	..
Indonesia (rupiah)	— 1,194.7	— 1,545.5	— 1,304.9	— *1,626.9*	— *503.*

Table 125 (continued)

	1947/48	*1948/49*	*1949/50*	*1950/51*	*1951/52*
Korea (won)	—11,455.0	—12,363.0	..	..	..
Malaya ($M)	— 93.1	— 66.0	..[a]	..[a]	+ *61.3*
Pakistan (rupee)	— *379.0*	— 483.7	— 534.8	— 51.7	— *503.5*
Philippines (peso)	+ 3.2	— 40.3	— 168.0	— *143.5*	— *154.7*
Singapore ($M)	+ 14.0	— 18.7	+ 7.9	— *1.6*	..
Thailand (baht)	+ 0.8	+ 119.4	— *322.9*	— *455.4*	(— *300.0*)
Japan (thousand millions of yen)	— 90.5	— 102.6	— 124.4	+ 125.4	— *41.6*

[a] No balance is given for 1949, because receipts are actual figures, while expenditure refers to estimates; for 1950 receipts are revised estimates figures, while expenditure represents budget estimates.

Notes:

Figures refer to central government funds only and include current and capital transactions. Receipts exclude proceeds from loans and expenditure and, wherever possible, exclude debt redemption. Figures referring to estimates are shown in italics. The fiscal years are as follows: *Burma and Ceylon:* years ending 30 September. *Hong Kong, India, Pakistan* and *Japan:* years ending 31 March. *Philippines:* years ending 30 June. *British Borneo, China, Indochina, Indonesia, Korea, Malaya, Singapore* and *Thailand:* calendar years; thus 1947/48 refers to 1947 calendar year and so on.

Borneo, North: 1950: revised estimates. 1951: budget estimates. Expenditure: 1949 and 1950 including expenditure on reconstruction and development amounting to 7.3 and 5.3 million respectively; 1951: only ordinary expenditure is given. Receipts: ncluding net results of public undertakings.

Sarawak: 1948: revised estimates, 1949: budget estimates.

Burma: 1948/49 and 1949/50 revised estimates; 1950/51 budget estimates. "Civil supplies" (purchase and sales) and other public undertakings are included on a net basis. Receipts exclude transfers from Reserve Fund and expenditures exclude payments to Reserve Fund. Receipts include "Rehabilitation Contributions" both for current and or national development purposes, representing transfers of trading profits realized rom rice sales abroad by the State Agricultural Marketing Board. Loans and Advances (net) of the government included in expenditure: 1947/48: 123.2; 1948/49: 10.8; 949/50: 26.5; 1950/51: 99.8.

Ceylon: 1950/51: revised estimates. Including gross receipts and expenditure of railways electrical departments and other public undertakings. Expenditure includes loan xpenditure and food subsidies. If other extra-budgetary items are included, such as tores and materials, advances and loans, the over-all deficit of the government in 948/49 and 1949/50 would amount to 113.1 and 154.3 respectively. (See *Annual Report f the Central Bank of Ceylon for 1950*).

China (mainland): 1950: budget estimates presented by the People's Central Government in Peking in December 1949. The budget is given in percentages only. But the mount of loans to be raised is given as 200 million *fen*, from which the various allocaions were worked back. *Fen* is a commodity unit worth 3 kilos of rice, 3⁄8 kilo of vheat flour, 1⅓ metres of cloth, and 8 kilos of coal.

Hong Kong: 1950/51: budget estimates. Excluding "capital" expenditure.

India: Expenditure includes loans and advances (net) amounting to: 1947/48: 203.9; 948/49: 286.6; 1949/50: 555.7; 1950/51: 578.4; 1951/52: 678.9; 1947/48 and 1950/51: evised estimates. 1951/52: budget estimates. 1947/48: seven and one-half months ollowing 15 August 1947. Expenditure includes Rs.1,362 million of actual expenditure nd Rs.773 million capital expenditure, as given in the revised budget estimates. 948/49: expenditure excludes payment to the United Kingdom of Rs.2,145.5 million or capitalization of sterling pensions and payment of about Rs.1,300 million chiefly or the purchase of war surplus materials, financed by drawings on accumulated sterling alances. It also excludes purchase of shares of the Reserve Bank of India for s.59 million. 1949/50: expenditure excludes payments in form of treasury notes of s.791.5 million representing an additional rupee contribution to the International Ionetary Fund and the purchase of shares of the International Bank. 1950/51: xpenditure excludes payment to Pakistan of Rs.26.2 million in connexion with its ibscription to the International Monetary Fund and the International Bank for

Notes to table 125 (continued)

Reconstruction and Development. It also excludes appropriations to Contingency Func of Rs.150.0 million. Expenditure: the following amounts, deducted in the officia documents from capital expenditure and referring to payments made by the UK Government with regard to the annuities for financing the sterling pensions, have no been subtracted from total expenditure. 1949/50: 96.0; 1950/51: 73.7; 1951/52: 73.1

Indochina: 1949 and 1950: excluding capital expenditure. Excluding extraordinary French military expenditures, directly covered by the French Government.

Indonesia: 1948 and 1949: revised estimates: 1950 and 1951: estimates. Expenditur for 1947 excludes defence expenditure. 1947 to 1949: expenditure includes debt redemption which for 1949 amounts to 40.3 million rupiahs. 1950 and 1951: expenditure exclude debt amortization and reserve for redemption of foreign credits; receipts exclude sal of exchange provided for redemption of foreign credits.

Korea: 1949: estimates of expenditure and revenue are not available but the reporte overdraft from the Bank of Korea amounted to 86.4 billion won on 25 December.

Malaya: 1950 receipts: revised estimates. Voted estimates were: 273.7 millions 1951 and 1950: expenditure: budget estimates. Data include gross receipts and expendi ture of public undertakings. Expenditure includes contributions to Sinking Fund an excludes the Special Contribution from the United Kingdom for Defence an Emergency.

Pakistan: Expenditure includes loans and advances (net) amounting to: 1947/48 91.0; 1948/49: 144.8; 1949/50: 185.5; 1950/51: 123.5; 1950/51: 47.0; 1947/48 an 1951/52 budget estimates. 1948/49, 1949/50 and 1950/51: revised estimates; 1947/48 seven and one-half months from 15 August 1947. Expenditure, 1948/49, exclude payment of Rs.104 million to the United Kingdom, effected by drawings on the sterlin balances in London on account of the capitalization of sterling pensions. Excludin payments in treasury notes to the State Bank: amounting to: 1949/50: 540.0; 1950/51 148.5; also excluding note subscriptions to the International Fund and Bank amountin to: 1950/51: 77.8; 1951/52: 319.3. Expenditure for 1950/51 excludes the followin transfers to the Development Fund: 1950/51: 250.0 million; 1951/52: 90 million, b includes in 1951/52 the estimated expenditure from this fund amounting to Rs.100 million.

Philippines: 1950/51: voted estimates: 1951/52: draft estimates; 1947/48 ar 1948/49: consolidation of general, special and bond funds. 1949/50, 1950/51 ar 1951/52: general fund plus the principal special funds, viz. Highways, Motor Vehic and Port Works Funds. Receipts exclude transfers from depository funds and intern revenue and motor vehicle duties apportioned to local governments as follows: 1947/4 34.7; 1948/49: 50.9; 1949/50: 50.3; 1950/51: 42.2; 1951/52: 44.0.

Singapore: 1949: revised estimates; 1950: budget estimates.

Thailand: Revenue includes net receipts from government enterprises, 194 receipts actual figures, expenditures according to budget estimates; 1950: budg estimates. 1949: estimates of expenditure exclude 150 million baht on account of t contribution in notes to the International Monetary Fund and purchase of shar of the International Bank.

Japan: 1947/48 to 1950/51: cash transactions of the central government (gene and special accounts) excluding intragovernmental transfers. Transactions include bu buying of staple foods, the transactions of the railways, government monopolies a enterprises, etc. 1951/52: estimates include the transactions on General Account a only those with regard to the Special Account for Foodstuff Control amounting 403.6 and 525.6 thousand million yen for receipts and expenditure respectively.

Sources:

British Borneo:

North Borneo: Budget of North Borneo, 1949, 1950 and 1951.

Sarawak: Handbook of Sarawak, 1949.

Burma: Budget of Burma, 1949/50 and 1950/51.

Ceylon: Statistical Abstract of Ceylon, 1949; Central Bank of Ceylon, *Ann Report,* 1950; information supplied by the Government of Ceylon.

China: Ta Kung Pao, Hong Kong and Shanghai, 1949 and 1950.

Hong Kong: Annual Reports, 1948, 1949; *Government Gazette,* 1949-1951.

India: Budgets for 1948/49 - 1951/52.

Indochina: Information supplied by the Office of the French High Commissio in Indochina.

Indonesia: 1947-1949: *Nota: Betrefende de Toestand van Lands Financien.* Begro van Indonesia voor het Dienstjaar 1949, 1950 and 1951: budget for 1951, As part of their anti-inflationary programmes nearly all of the primary-roduct exporting countries in the region increased export duties and mposed new ones in the latter half of 1950 and early in 1951. At the same ime, import and exchange restrictions were relaxed. The increases in xport duties were an important factor in reducing the budget deficits in hese countries. Thus they helped to check the rate of expansion in money ncomes.

The 1951 budgets for most of the countries in the region for which nformation is available indicate that expenditure will continue to rise. n several countries, notably Burma, Ceylon, China, India, Indonesia, Ialaya, Pakistan, the Philippines and Thailand, substantial increases have een budgeted. Defence expenditure, which, except for Ceylon and Ialaya, represents by far the largest budget item in these countries, will ontinue to rise, with the sharpest increase planned by the Philippines.

The most important factor accounting for the increase in expenditure n several countries in 1951 (Burma, India, Indonesia, Malaya, Pakistan nd the Philippines) will be the rise in capital outlays. Pakistan, in particu-ar, has planned a substantial increase in capital expenditure, from 210 illion rupees in 1950/51 to 471 million in 1951/52. A considerable part f this expenditure will be devoted to stock-piling of material and equip-ient from industrial areas for future development programmes. Ceylon, n the other hand, planned to cut back its investment outlays somewhat. he rise in its over-all expenditure in 1951 will result principally from icreased outlays for food subsidies.

Magnitude and Distribution of Government Expenditure

Government expenditure in 1950 continued to rise in most countries of ie region. Substantial increases occurred in Ceylon, India, Indonesia, Ialaya, the Philippines and Thailand. Expenditure rose for all budget ems in these countries, partly as a result of general prices rises. With ie exception of Ceylon, however, the increases were most marked in efence expenditure, maintenance of internal order, and investment itlays.

In Burma and Pakistan government spending was maintained at prac-cally the same level as in 1949, mainly as a result of substantial cut-icks in investment outlays, particularly in the latter country.

Notes to table 125 (continued)

Malaya: Budgets for 1948, 1949, 1950 and 1951.

Pakistan: Budgets, 1947/48 - 1951/52.

Philippines: 1947/48, 1948/49: *Report by the Economic Survey Mission to the hilippines,* October 1950; 1949/50 - 1951/52: *Budget of the Philippines for 1952.*

Singapore: Colonial Estimates of the Revenue and Expenditure, 1948, 1949 and 1950.

Thailand: Information supplied by the Government of Thailand.

Japan: 1947/48 to 1950/51: Central Bank's reply to joint questionnaire of UN and IF; 1951/52: budget for 1951/52.

Detailed information as to the actual magnitude and composition of government expenditure in China (mainland) in 1950 is not available. According to a statement of the Vice-Minister of Finance,[*] over-all expenditure for 1950 exceeded the original estimates by about 14 per cent. This resulted primarily from increased expenditure for defence, originall budgeted at approximately 39 per cent of the total, and from a rise i outlays for unemployment and flood relief. These increases were partl offset by reductions in general administrative expenditure and in grant to local authorities.

In Japan, as a result of the stabilization policies initiated in 1949 i accordance with the recommendations of a United States Mission (th Dodge Mission), over-all expenditure rose by 302 thousand million ye in 1950/51 as compared with a rise of 596 thousand million in 1949/50 This was achieved by reductions effected in allotments to local authorities in war-termination expenditure, and in price subsidies. Further decrease are budgeted for 1951/52 mainly through substantial reductions of pric subsidies, which are now limited to imported commodities.

Defence expenditure continues to be the largest single item in the budge for most countries of the area, as may be seen from the data shown i table 126.

The sharpest increase in defence expenditure has taken place in th Philippines. The approved estimates for the fiscal year ending in June 195 call for defence outlays totalling nearly 147 million pesos as compared wit about 69 million for the previous year. In 1951/52 they are expected t increase further to 169 million pesos. These increases are due largely t the participation of the Philippines in the United Nations enforceme action in Korea and to increased demands on the military establishme for quelling internal disorders.

In India defence expenditures also showed a significant increase, fro 1,604 million rupees in 1949/50 to 1,912 million in 1950/51. In Pakist it remained at the relatively high level of recent years, i.e., between 56 a 58 per cent of the total budget. In 1951/52, though scheduled to rise absolute terms from the 1949/50 total of 707 million rupees to near 759 million, it is estimated to drop to about 46 per cent of total expenditu as a result of more than proportionate increases in other items of expend ture, particularly investments.

The continuation of internal disorders in Burma in 1950, resulting considerable damage to the state railways and the postal and telegra system, imposed a heavy burden on the public finances of the countr Defence expenditure, however, actually dropped somewhat, from 1 million rupees in 1949 to 127 million in 1950, but is expected to increa again in 1951 to nearly 137 million rupees.

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[*] "Report on Financial Operations during 1950 and Programme for 1951", *Peop Daily*, Peking, 28 February 1951.

The available information on the composition of expenditure for Indonesia and Thailand in 1950 is not sufficiently detailed to permit reasonably accurate estimates of the magnitude of the changes in 1950 as compared with previous years. The data, however, do indicate increases in expenditure for defence and maintenance of internal order. Thus in Indonesia, ordinary defence expenditure, which was estimated at 1,550 million rupiahs out of a total ordinary expenditure of 7,798 million in 1950, is scheduled to rise to 2,042 million out of approximately the same total in 1951. In Thailand defence expenditure was estimated at 326 million baht out of a total budget of 2,669 million in 1950, or approximately 12 per cent. This would indicate a slight relative drop from the 14 per cent budgeted for the previous year. However, the 1950 budget contains a relatively large item of 892 million baht for special salary allowances which may include additional remunerations to military personnel.

In Ceylon defence expenditure has been relatively low, accounting for only about 1 per cent of total expenditure in recent years. The budget for 1950/51, however, calls for defence outlays of 19.4 million rupees, i.e., more than double the 9.6 millions budgeted for the previous year. This will raise the share of defence expenditure in the total budget to little over 2.5 per cent.

In Malaya outlays for defence in 1950 amounted to about 7 million Malayan dollars, or nearly 4 per cent of the total. This does not include the special contribution for defence by the United Kingdom of approximately £3 million. According to the estimates for 1951 defence expenditure is to be more than tripled, rising to nearly 22 million Malayan dollars or approximately 7 per cent of the total budget.

Expenditure for social services, consisting mainly of education, public health and medical services, and public assistance in various forms, generally showed a tendency to rise in absolute terms in 1950, though in most countries it remained at approximately the relative level of previous years and in certain others (Burma, Ceylon and the Philippines) it dropped somewhat in importance.

The percentages shown in table 126 for social service expenditure are to be considered highly tentative in nature, and are not internationally comparable. This is due in part to the widely different methods of classification of this item of expenditure in the official publications and in part to the substantial differences as between countries in the distribution of ocial-service charges among the various levels of government. Thus the relatively high percentages shown for Ceylon are due to the fact that they nclude food subsidies as social-service items, whereas the low percentages for India and Pakistan are due entirely to the fact that the bulk of social-ervice expenditures in these countries is borne by the State and provincial governments. In India, for example, social services accounted for about 32 per cent of the budgets of Part A States in 1949/50 and 1950/51 and or 35 per cent of total expenditure of Part B States in 1950/51.[7]

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[7] Reserve Bank of India, *Report on Currency and Finance,* 1949/50, pp. 82-86.

Public debt interest charges in 1950 remained at the relatively low levels of the post-war years for nearly all countries in the area, and are not expected to rise in 1950/51 despite significant increases in the volume of debt in a number of countries in the recent past (see section on public debt below). The continued price inflation has been an important factor which has enabled governments to maintain the share of the debt service in total expenditure at the present low level.

The high level of current expenditure, particularly for defence and maintenance of internal order, has severely limited the government contribution to capital formation in most countries in the area. An additional limiting factor is the weakness, and in some countries, the almost complete lack of an organized market for long-term government securities (see section on public debt below).

The percentages for *investment* shown in table 126 are subject to the same type of limitation as those for social services referred to above, and are to be taken as rough approximations indicating the order of magnitude and the direction of change. The data shown separately as "loans and advances" for Burma, India and Pakistan may, broadly speaking, be als considered as capital expenditure. These loans are granted to local authorities mainly for investment purposes.

In Burma, in an effort to reduce the mounting over-all budget deficits the Government cut down capital expenditures in 1949 and 1950 to a leve barely exceeding the requirements for the maintenance of existing assets The budget for the financial year ending in September 1951, however calls for an increase in capital outlays from the 1949/50 figure of 133. million rupees to 171.0 million, almost entirely due to a rise in loans an advances to local authorities.

In Ceylon, the draft estimates for 1950/51 provided for a reduction o capital expenditure from 135 million rupees to 113 million. It appears however, that as a result of the considerable improvement of the revenu prospects caused by the export boom of the latter half of 1950, the latte figure will be revised upwards to the level proposed within the framewor of the Colombo Plan.

Because of the difficulties experienced over the last few years in raisin loans on the capital market, the Government of India decided to reduc its 1950/51 expenditures on development to the most essential scheme However, the actual requirements for the railway, the irrigation projec and the Grow More Food schemes proved heavier. As a result capit outlays, including loans and advances to local governments, increased fro 1,135 million rupees in 1949/50 to 1,358 million in 1950/51. The estimat for 1951/52 provide for a further increase to 1,527 million rupees approximately 29 per cent of the total budget.

In 1950/51 investments consisted of Rs. 671 million in direct expend tures (including railways, posts and telegraphs, industrial developme and multi-purpose river schemes), Rs. 578 million in advances to the stat (i.e., irrigation loans, micellaneous development loans, and "other" loans), and Rs. 109 million for civil works, largely for maintenance and repair. The comparable figures in the 1951/52 budget are Rs. 714 million, Rs. 440 million and Rs. 134 million. Railway expenditures and loans for irrigation purposes aggregate more than half of the total outlay (excluding civil works) for each of the two years, while industrial development accounts for about 12 per cent. Two enterprises (a fertilizer plant and a locomotive factory) received the bulk of the industrial investment.

In Indonesia capital outlay for public works and investment in government enterprises in 1951 is estimated at about 739.5 million rupiahs, compared with 360.4 million rupiahs in 1950. This rise together with that for national defence accounts for most of the increase in total expenditures budgeted for 1951, and will raise investment outlays from 4 per cent to 8 per cent of total expenditures. There is no corresponding increase anticipated in the government debt, however, since revenue in 1951 is expected to expand more than expenditure.

The approved budget estimates for 1950 in Malaya called for capital outlays of about 28 million Malayan dollars or nearly 16 per cent of total expenditure. These outlays were to be devoted mainly to public works, communications and agricultural development. As a result of the remarkable increase in revenue, particularly from export duties, capital expenditure is to be nearly doubled in 1951 to approximately 55 million Malayan dollars.

Singapore's public-works expenditure in 1950 was estimated at 16 million Malayan dollars out of a total budget of 104 million. This was more than double the amount spent for the same purpose in 1949 out of a slightly lower total expenditure of 102 million Malayan dollars.

The relatively high level of defence expenditure in recent years in Pakistan has placed severe limitations on the Government's contribution o capital formation. In 1950/51 the Government followed a rather cautious policy designed to reduce the relatively high deficit of the previous year. t succeeded in maintaining total expenditure practically at the 1949/50 evel, mainly through substantial cuts in capital outlay. Thus direct investments by the Government were reduced from 123 million rupees to 86.5 million and loans and advances to provincial governments for investment purposes were cut from 186 million rupees to 124 million.

The sudden improvement in the revenue prospects for 1951 as a result f the export boom following the outbreak of the Korean conflict has pparently induced a marked change in the Pakistan Government's investment policies. The budget for 1951/52 calls for a sharp increase in direct apital outlays to nearly 424 million rupees. Loans to provincial governments, however, are to be reduced to 47 million rupees.

Government gross capital expenditure in the Philippines in 1949/50 mounted to nearly 99 million pesos, or about 20 per cent of the total udget. The approved estimates for 1950/51 called for a slight decrease

Table 126. Major Components of Government Expenditure in Selected Countries

(In percentages of total)

	Defence	*Social services*	*Interest on public debt*	*Other current*	*Investment*	*Loans and advances*
Burma						
1947/48	10	7	1	45	11	26
1948/49 RE	27	6	–	41	24	2
1949/50 RE	26	5	1	41	22	5
1950/51 E	24	8	–	39	12	17
Ceylon						
1947/48	1	44	5	36	14	–
1948/49	1	41	5	35	18	–
1949/50 E	1	37	5	38	19	–
1950/51 E	3	37	5	41	14	–
China (mainland)						
1949/50 E	39	4	–	33	24	–
India						
1948/49	41	1	9	30	13	6
1949/50	38	1	8	27	13	13
1950/51 RE	40	1	6	25	16	12
1951/52 E	37	1	6	27	16	13
Malaya						
1950 AE	4	10	5	65	16	–
1951 E	7	7	3	66	17	–
Pakistan						
1948/49 RE	58	1	2	14	11	14
1949/50 RE	57	1	3	14	10	15
1950/51 RE	56	1	3	23	7	10
1951/52 E	46	1	3	21	26	3
Philippines						
1949/50	14	34	2	29	20	1
1950/51 AE	28	31	2	20	18	1
1951/52 E	29	29	2	12	28	–

Notes:

AE denotes approved or authorized expenditure; RE = revised estimates; E = budg estimates; for the years not followed by abbreviation signs the data refer to actu expenditure.

Data refer to central government expenditure. Unless otherwise indicated only n results of public undertakings (i.e., contributions to operating deficits) are includ and debt redemption is excluded. The distribution of expenditure among the princip categories shown in the table is necessarily arbitrary owing in part to the nature the available data. The percentages given should therefore be taken as indicators the order of magnitude.

"Defence" includes expenditure of the military departments plus capital outlay f defence purposes.

"Social services" includes education, public health and public assistance. It shou be noted, however, that in certain countries, notably India and Pakistan, these servic are in large part provided by local governments. The percentages shown are therefo not internationally comparable.

"Investment" includes, in general, public-works expenditure on a gross basis (i including maintenance), capital outlays of government enterprises and grants to lo authorities for the same purpose.

"Loans and advances" are given on a net basis and are granted mainly to provin for capital expenditure.

Burma: Other current expenditure includes the net results of government sales a purchases of supplies.

to 92 million pesos. More than 60 per cent of these totals consists of maintenance expenditure, mainly on roads and public works. The remainder includes principally agricultural development, irrigation schemes and educational facilities.

The budget for 1951/52 calls for a substantial increase in capital outlays to 159 million pesos. Of this total 80 million pesos are to be devoted to the construction of new public works, which is to be financed entirely out of United States aid counterpart funds. The carrying out of the proposed public-works programme will therefore depend largely on the amount of United States aid in the form of grants and loans in 1951/52. The prospects appear favourable in view of the fact that the United States Government is planning a programme of full-scale aid to the Philippines for the fiscal year ending in June 1952. A Special Technical and Economic Mission to the Philippines has been established to work out with the Philippine Government methods for utilizing American grants and loans in the most effective manner.[8]

MAJOR TRENDS IN TAX RECEIPTS

The most significant development in government revenue in 1950 was the sharp rise in the yield of export duties in nearly all the raw-material-producing countries in the region. This increase was a direct outgrowth of the unprecedented rise in the prices and volume of exports of the principal primary products of the region (rubber, tin, jute, wool and cotton), which resulted from stock-piling programmes. In most of these countries the rise in the prices of raw materials on the world market was almost immediately followed by the adoption of new export duties and by substantial increases in the rates of the existing ones.

Revenue from import duties also rose in most of these countries, though to a much lesser degree. This was due in part to the normal lag between the rise of exports and that of imports, and in part to the existence of trade restrictions in several countries which were not removed or lessened until the closing months of the year, or in some cases (e.g., India) until the spring of 1951. No significant changes have been effected in the structure or the rates of import duties.

Revenue from personal and corporate income taxes continued to rise in absolute terms in 1950, but failed to keep pace with the increase in over-all receipts in most countries of the area. In India the yield of income taxes tended to level off in 1950/51 and in Japan it showed a significant decline.

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[8] Economic Co-operation Administration, press release, Washington, D.C., 7 April 1951.

Notes to table 126 (continued)

Ceylon: "Social services" includes food subsidies in addition to the items listed above.

India: Interest on public debt is given on a net basis, e.g., after deduction of interest received from the public undertakings.

Philippines: "Investment" for 1951/52 includes capital expenditure to be covered by United States aid counterpart funds amounting to 80 million pesos out of total investment expenditure of approximately 159 million pesos.

The relative decline in importance of revenue from direct taxation which began in 1950 is expected to continue in 1951. In most countries this will be due in large part to the continued relatively high level of revenue from export and import duties. In certain others, notably Burma, India, Indonesia and the Philippines, it will be partly due to relatively higher rises in the yield of internal consumption taxes resulting from increases in rates and the imposition of new duties. In Japan, Pakistan, and to a lesser extent in Ceylon, an additional factor will be the substantial reductions in income-tax rates and the increases in minimum exemptions put into effect in 1950. Similar reductions, affecting primarily the lower income groups, were also contemplated by Indonesia early in 1951.

Apart from the increase in the rates of export duties and the imposition of new ones referred to above, important structural changes were effected only in China and Japan, as part of the extensive reforms of their tax systems initiated in the previous year. The tax system of the Philippines was surveyed by a United States Government technical mission (the Bell Mission) in 1950. Certain of the emergency measures recommended by this Mission were introduced in the first quarter of 1951.

The Rise in Export Duties

Export prices in the area began to rise after the devaluation of the sterling currencies in September 1949. The second and even sharper rise in primary-product export prices occurred in the second half of 1950 as a result of the increased demand subsequent to the Korean hostilities. This rise of export commodity prices, which exercised a pronounced effect on the domestic price level, induced governments to adopt fiscal measures to combat inflation. Foremost among these measures were the introduction or the increase of export duties serving a twofold purpose. First they were intended to reduce effectively the disposable incomes accruing to exporters as a result of the large difference between external and internal prices. Secondly, they were an important method of raising government revenues which could have been increased less speedily and effectively through means of direct taxation.

In terms of revenue yield, export duties during 1950 have become a factor of primary importance in the area. As will be noted from the data shown in table 127, significant increases in revenue from export duties occurred in seven countries in the region: Malaya, British Borneo, Indonesia, Ceylon, Thailand, India and Pakistan. On the whole, this rise was due to the increased volume of exports, the rise of world market prices and the introduction of new duties.

The most significant rise took place in the Federation of Malaya, where the yield of export duties almost doubled during 1950. Revenue from export duties on rubber alone, originally estimated at $M 22 million, rose by 230 per cent to $M 73 million according to the revised estimates. The rise in the yield of the duty on tin was less striking, amounting to nearly 25 per cent over the 1949 level. In 1951 it is expected to reach a level almost 30 per cent higher than that of 1950. The yield of import duties, on the other hand, increased by only 19 per cent during the same period. Thus in 1950, total receipts from customs showed a 40 per cent increase over the 1949 level, and they are expected to continue to rise in 1951.

Up to January 1951, the rise in export duties was due solely to the increased volume of trade and the rise in the prices of rubber and tin on the world market. Beginning in January 1951, the increase will be due partly to higher rates of duty on rubber. The new export duty, effective as from 1 January 1951, is based on a sliding-scale formula and varies according to prices. The rates range from 2½ cents per pound exported at a price of 50 cents, up to 31 cents per pound exported at a price of $2. This compares with a rate of 5 per cent *ad valorem,* plus an additional fixed charge of ¼ cent per pound in existence since 1947.

The new Malayan export duty on rubber has a high degree of flexibility, which allows for quick adaptation to variations in international prices and in production costs. This makes it an effective revenue-producing instrument in that it ensures rapid tapping of profits arising from both increased volume of trade and rising prices. As a counter-inflationary measure, however — and this applies to export duties in general — it is less effective than would appear at first sight. This is due to the fact that the Malayan export duties in effect tend to reduce the profits of British rubber and tin companies which would normally be transferred abroad. Thus a rise in export duties will not appreciably decrease the foreign-owned corporations' domestic level of expenditure. In a period of rising export prices and with prospects of sustained demand for primary products these corporations' domestic expenditures, in fact, are likely to increase.

In other rubber-exporting countries, notably Indonesia, British Borneo and Ceylon, revenue from export duties also showed substantial increases. In Indonesia it rose from 97 million rupiahs in 1949 to 303 million in 1950. A further rise of 135 million rupiahs is expected in 1951. This increase is expected to result from the rise in the export duty on rubber, since the rate was raised to 95 cents per kilogram in the first quarter of 1951 as against 64.5 cents in the last quarter of 1950 and 36.4 in the third quarter. The increase in the volume of foreign trade has also materially affected government profits from the multiple exchange rate system, which are expected to rise from 1,175 million rupiahs in 1950 to 2,600 million in 1951. These profits (not included in table 127) have effects similar to taxes on imports and exports.

In North Borneo, export duties are expected to yield 4.6 million Malayan dollars in 1951 as compared with 1.1 million in 1949. The export duty on rubber, which was increased to 10 per cent *ad valorem,* is estimated to yield 2.2 million Malayan dollars in 1951, against 0.4 million originally estimated for 1950.

In Ceylon an export duty on rubber was introduced for the first time in September 1950. This duty, which amounted to 15 cents per pound on dry rubber, was raised to 50 cents per pound in March 1951. Other duties were also increased. The export duty on tea was raised from 38 to 53 cents per pound in October 1950 and to 60 cents per pound in March 1951. The export duty on copra was raised from 75 to 100 rupees per candy (5 cwt.) ; on coconut oil, from 244 to 325 rupees per ton, and on pepper from 2 to 2.5 rupees per pound. In addition, new duties were levied on cocoa (25 cents per pound) and several other items. These higher duties are required to finance additional subsidies on rice and flour.

Significant increases in the yield of export duties have also taken place in countries where they constitute a relatively less important source of government revenue. Thus, whereas in Malaya and North Borneo export duties represent 40 and 30 per cent respectively of total tax receipts, in India and Pakistan they amount to only about 10 or 12 per cent. Import duties on the other hand, accounted for two-fifths of India's total revenue in 1950/51 and for approximately one-third of Pakistan's.

In India revenue from export duties rose sharply from 259 million rupees in 1949/50 to 405 million in 1950/51, whereas import duties during the same period remained unchanged. The rise in the yield of export duties was due primarily to the higher volume of exports in 1950 at higher prices in terms of rupees. It was also due to some extent to the increase in rates of export duties on a number of products, such as raw cotton and jute sacking. New duties were levied on cotton waste and wool. The duty on burlap, which prior to October 1949 was Rs. 80 per long ton, was raised from Rs. 350 per ton to Rs. 750 in October 1950, and to Rs. 1,500 in December. The object of these increases was to absorb windfall profits accruing from premium prices in the United States.

In Pakistan, the unprecedented increase in export duties in 1950 constituted the most significant change in the revenue pattern. Receipts from export duties rose from 118 million rupees in 1949/50 to 425 million in 1950/51. Together with import duties, they accounted for 59 and 70 per cent of total tax receipts in 1949/50 and 1950/51 respectively. Exports, which during the latter half of 1949 averaged only Rs. 50 million per month, rose sharply in the subsequent period, especially after August 1950, when the market for raw materials expanded. The liberalization of import restrictions resulted in a similar increase in the volume of imports. The Pakistan Government took advantage of the sharp rise in the price o cotton, wool and jute, to increase export duties on these products and t introduce new ones. Thus, the export duty on cotton was raised from Rs. 60 to Rs. 180 per bale in October 1950, and further to Rs. 300 pe bale in November 1950. In addition, a 25 per cent *ad valorem* duty wa levied on raw wool exports in December 1950.

Other Significant Developments

Trends in income taxes

Revenue from income taxes continued to rise in absolute terms in 1950 in most countries of the area, with the notable exception of Japan. In nearly all countries, however, the rise in the yield of personal and corporate income taxes lagged considerably behind that of revenue from indirect taxation, thus accounting for the beginning of a decline in their relative importance which according to the budget estimates was expected to continue in 1951. This trend is not uniform throughout the region. In certain countries, where income and corporation taxes have been in existence for some time, their yield tended to increase at a declining rate, as in the case of India, and even to drop substantially in absolute terms, as in the case of Japan. In other countries, notably Malaya, Indonesia and Thailand, revenue from direct taxation continues to rise at an increasing rate. However, income taxes in these countries are relatively less important sources of revenue and the rise in their yield in 1950 as well as that forecast for 1951 is more than offset by the substantially greater increase in revenue from customs duties.

In Burma, revenue from income taxes increased from 32.5 million rupees in 1949 to 47.8 million in 1950. The increase was due to a slight rise in tax rates put into effect in October 1949, and to the improvement of the tax-collecting and assessment machinery.

In Ceylon, two important changes in income taxation were effected in October 1950. The minimum exemption for the personal income tax was raised from Rs. 2,400 to Rs. 4,800. It is estimated that this change will offer tax relief to 35,000 persons who now pay taxes and will reduce revenue by approximately Rs. 1.5 million. This reduction is expected to be more than offset by an additional revenue of Rs. 6.5 million to be derived from an increase in the rate for the first taxable income bracket from 3.5 per cent to 9 per cent, and similar rises in rates for the higher income brackets.

In India, revenue from direct taxation showed a relatively small increase, from 1,154 million rupees in 1949/50 to 1,191 million in 1950/51, due entirely to the increased yield of personal income taxes. Revenue from corporation taxes, which includes the excess profits tax and the business profits tax, declined slightly as a result of a reduction in rates intended o stimulate investment. In 1951/52 revenue from these sources is estimated o decline substantially, due to the expected lower yields of the excess profits tax and the business profits tax, and to an anticipated fall in the profits of industries mainly in the textile sector as a result of the strike early in 1951. In order to partially offset this expected decline, the corporaion tax rate was raised from 2.5 to 2.75 annas in the rupee for 1951/52. In addition, a small surcharge of 5 per cent on all income tax and super-tax ates other than those on corporate income was introduced.

In Indonesia, revenue from personal and corporate income taxes is estimated to increase from 612 million rupiahs in 1950 to 772 million in 1951. However, in January 1951, the Government was considering a substantial reduction in the income tax levied on low and middle income groups. The tax paid by wage-earners receiving 2,400 rupiahs per year would be reduced by 50 per cent. Progressively smaller cuts would be made for incomes in the higher brackets. No change is scheduled for incomes of 60,000 rupiahs and above. To compensate for the decreased revenue resulting from these reductions, the Finance Minister has recommended to Parliament a 2½ per cent sales tax. It is estimated that the receipts from this tax will exceed the losses from the cut in the income tax.

In Japan, there was a significant drop in revenue from personal income taxes, from a peak of nearly 300 thousand million yen reached in 1949/5 to approximately 241 thousand million in 1950/51. This was due in par to a considerable scaling down of the rates, particularly for the to brackets, as recommended by a United States technical mission headed b Professor Carl Shoup, and in part to the elimination or relaxation o the stringent and frequently arbitrary methods of assessment of the previous year. Receipts from corporate income taxes, on the other hand increased from 50 to 55 thousand million yen and are expected to ris further to nearly 64 thousand million in 1951/52. The budget for 1951/5 provides for substantial relief to income-tax payers particularly at th lower levels, in accordance with recommendations of a second Shou Mission in September 1950. The measures recommended include a ris in the basic exemption, a reduction of the rates in all of the brackets excep the first, and an increase in the allowance for dependants. It is expecte that the revenue loss from these income-tax changes will be partly offse by an improvement in compliance on the part of the taxpayers as a resul of higher exemptions and lower rates. Thus the yield of personal incom taxes is estimated to decrease by only 18 thousand million yen to a tota of 223 billion in 1951/52.

In Malaya, income taxes which were introduced in 1948 yielded 38 million Malayan dollars in 1949 as compared with 2.3 million in 1948. I 1950 they rose to 43 million and are estimated to increase further to 5 million in 1951. Part of this increase is expected to result from the ris in the company tax rate from 20 to 30 per cent, effective as from 1 Januar 1951.

In North Borneo, income taxes were also introduced in 1948. Thoug revenue from this source is still of relatively minor importance, it showe a significant increase to 0.47 million Malayan dollars in 1950 as again 0.10 in 1949, and is expected to yield 0.99 million in 1951. Beginning January 1951, the company tax is to be raised from 20 to 30 per cent.

In Pakistan, revenue from income taxes increased from 90 milli rupees in 1949/50 to 125 million in 1950/51. Despite the prospect th money incomes will continue to rise at the present rate as a result of t current export boom, the budget estimate for 1951/52 forecasts an increase n income-tax revenue of only 4.4 million rupees. This relatively small ncrease is expected to result from substantial reductions in the income tax nd the super-tax put into effect with the 1951/52 budget. With respect to he income tax, a sliding scale of reductions was introduced affecting rackets up to Rs. 20,000, with the maximum rate of five annas per rupee pplicable to incomes over this amount. The super-tax was changed simiarly, with the maximum rate applicable to incomes over Rs. 250,000 educed from nine annas to seven and a half annas in the rupee.

In Thailand, personal income taxes are expected to increase their yield y about 50 per cent in 1951 as compared with the preceding year, despite he fact that the taxable income level was raised from 1,200 baht to 4,800 aht. Beginning in January 1951, corporations are to be taxed on their et annual profits at a rate of 10 per cent. Previously, corporate dividends vere taxed at the rate of 20 per cent.

hanges in consumption and transaction taxes

Revenue from internal transactions and consumption taxes generally ept pace with the rise in over-all receipts throughout the region. The rospect of relatively small rises in the yield of direct taxes in 1951 ccounts in part for increases in the rates of excise duties and the imposiion of new ones in certain countries, particularly in India and the Philipines. Indonesia planned to introduce a general 2½ per cent sales tax in rder to make up for the reduction in the income tax referred to in the revious section.

In Burma, excise taxes yielded Rs. 46 million in 1949/50, as compared vith 14 million in 1948/49. This increase was due chiefly to the introluction of a general sales tax which became effective on 1 November 1949 n Rangoon and was extended to other cities during 1950.

In India, the yield of transaction and consumption taxes rose from 689 nillion rupees in 1949/50 to 714 million in 1950/51. The adoption of addiional excise duties is expected to raise revenue from this source of taxation ubstantially, to 867 million rupees in 1951/52.

In Pakistan, revenue from these taxes rose from 123 million in 1949/50 o 147 million in 1950/51. This increase resulted from the higher volume f trade, the rise in prices and the improvement in the collection machinery.

In the Philippines nearly 70 per cent of the revenue from internal excises s derived from imported commodities. The substantial drop in the volume f imports following the imposition of severe restrictions in 1949 was argely responsible for a drop in the yield of excises from 134 million pesos n 1948/49 to 120 million in 1949/50. As a result of the lessening of nport restrictions as well as the increase in rates particularly on tobacco, quor and luxury products, revenue from excise duties is expected to rise onsiderably to 154 million pesos for the fiscal year ending in June 1951 nd to 180 million in 1951/52.

Japan is apparently the only country which has introduced significant cuts in commodity taxes, particularly on tobacco products, for the forthcoming year. Revenue from this source, however, is expected to drop slightly from 127 thousand million yen in 1950/51 to nearly 125 thousand million in 1951/52, largely because of substantial arrears, which are expected to be collected in 1951.

Tax measures to foster economic development and attract foreign capital

Tax incentives for economic development have become an important factor in the industrial development programmes initiated in a number of countries. Special consideration was paid to these measures within the framework of the Colombo Plan.

In India, tax concessions were allowed for local industry as early as 1948/49, and were continued during the past year. These concessions relate chiefly to accelerated depreciation of new plant and machinery income-tax exemptions on profits of new industries for the first five years up to 6 per cent of their invested capital, and a reduction or elimination of import duties on industrial machinery and raw materials.

In Pakistan, beginning with fiscal 1947/48 provision has been made for similar tax-exemption privileges for new industrial undertakings, as well as for special depreciation allowances and loss carry-forwards for six years. Both countries grant additional depreciation allowances to undertakings operating on a double or triple shift basis.

Ceylon also grants special depreciation allowances, while the Philippine provides for tax exemption of new or necessary industries during th first four years.

Important measures to promote the inflow of foreign capital were als adopted by Japan in June 1950. These measures consist of tax reduction on income received by non-Japanese from securities purchased with foreig currencies, on earned income received by non-Japanese engaged in supplying, directly or on behalf of their employers, foreign capital and foreig technical skills, and on foreign-currency income remitted to resident aliens

It may be noted, finally, that various agreements for the avoidance o international double taxation have been entered into or are under consideration between the United Kingdom and various countries in the area Under these agreements the burden of eliminating overlapping tax claim falls on the United Kingdom, which credits income taxes paid to the capita importing countries of the region against the United Kingdom tax o the same income. Such an agreement was signed with Burma on 13 Marc 1950. Comprehensive agreements were also concluded during the last tw years with Ceylon, North Borneo, Brunei, Sarawak and the Federation o Malaya and Singapore. Negotiations for agreements with India an Pakistan are presently under consideration. An earlier agreement betwee India and Pakistan, signed on 10 December 1947, provided for the allocation of specific shares of income to the two countries.

Table 127. Major Components of Tax Receipts in Selected Countries

(In million units of national currencies)

	Taxes on income and wealth	*Customs duties*[a]			*Transaction and consumption taxes*	*Monopoly profits*	*Licences, stamp duties and other taxes*	*Total tax revenue*
			Of which					
		Total	*Export duties*	*Import duties*				
Burma								
1947/48	32.4	172.5	7.4	165.3	20.8	–	9.3	235.0
1948/49 (RE)	32.5	80.2	10.0	70.2	13.6	–	10.6	136.9
1949/50 (RE)	47.8	113.1	7.5	105.0	46.0	–	8.9	215.8
1950/51 (E)	50.0	128.5	8.0	120.0	50.7	–	9.4	238.6
China (Taiwan only)								
1947	6,627.7	..	..	..	905.5	–	285.6	7,818.8
1948	50,768.8	..	..	..	6,717.9	–	2,951.2	60,437.9
1949 (E)	28.5	..	..	..	8.8	–	8.7	46.0
1950 (E)	88.3	..	..	..	32.1	–	49.6	170.0
India								
1947/48 (RE)	852.6	545.0	126.8	433.6	211.8	15.8	8.8	1,634.0
1948/49 (PA)	1,399.7	1,261.6	265.4	982.3	517.6	9.2	17.6	3,205.7
1949/50 (PA)	1,153.8	1,247.1	259.4	1,033.0	689.4	12.4	19.6	3,122.3
1950/51 (RE)	1,191.2	1,453.1	405.0	1,025.0	714.3	30.0	21.7	3,410.3
1951/52 (E)	1,177.7	1,500.4	562.5	930.0	866.7	23.5	31.3	3,599.6
Indonesia								
1949	313.5	310.0	97.0	207.8	174.0	..	34.2	831.7
1950 (E)	611.7	727.0	303.0	416.0	773.0	36.8	67.7	2,216.2
1951	772.0	928.5	438.0	485.0	972.5	41.5	70.9	2,785.4
Japan								
1947/48	95,674	–	–	–	35,914	42,217	15,874	189,679
1948/49	220,732	–	–	–	93,606	101,914	31,493	447,745
1949/50 (RE)	353,871	–	–	–	128,368	119,080	33,731	635,050
1950/51 (RE)	305,800	1,100	..	..	126,800	112,050	9,900	555,650
1951/52 (E)	299,554	4,920	..	..	124,580	113,086	7,470	549,610
Malaya								
1947	1.5	131.0	47.7	83.0	3.6	–	9.1	145.2
1948	4.1	175.0	70.0	105.0	4.2	–	12.3	195.6
1949	41.5	192.2	76.0	115.8	4.6	–	14.8	253.1

Table 127 (continued)

	Taxes on income and wealth	Customs duties[a]			Transaction and consumption taxes	Monopoly profits	Licences, stamp duties and other taxes	Total tax revenue
		Total	Of which: Export duties	Of which: Import duties				
Malaya (cont.)								
1950	45.3	269.3	131.1	137.8	4.9	–	17.5	337.0
1951	52.5	295.6	150.1	145.1	6.0	–	18.3	372.4
North Borneo								
1947	..	4.59	..	..	–	–	..	5.57
1948	..	5.28	..	..	–	–	..	6.39
1949 (AE)	0.10	5.63	1.13	4.50	–	–	1.26	6.99
1950 (AE)	0.47	6.85	1.39	5.46	–	–	1.30	8.62
1951 (E)	0.99	11.89	4.57	7.11	–	–	1.66	14.54
Pakistan								
1947/48 (E)	50.0	100.0	32.0	63.0	15.7	6.0	0.2	171.9
1948/49 (E)	70.0	185.0	30.0	123.0	26.2	28.0	2.8	312.0
1949/50 (RE)	90.0	347.5	118.0	312.5	122.5	25.0	8.0	593.0
1950/51 (RE)	125.0	750.8	424.6	415.8	146.5	24.2	22.0	1,068.5
1951/52 (E)	130.0	651.7	..	..	153.6	25.0	18.6	978.9
Philippines								
1948 (E)	47.6	24.5	–	24.5	115.9	–	113.9	301.9
1949	54.3	28.6	–	28.6	133.9	–	145.0	361.8
1950	60.5	25.6	–	25.6	119.7	–	122.7	328.5
1951 (E)	77.4	16.0	–	16.0	154.4	–	141.9	389.7
1952 (E)	88.3	13.0	–	13.0	179.7	–	150.4	431.4
Singapore								
1947 (AE)	1.5	–	–	–	24.5	–	6.5	32.5
1948 (AE)	26.7	–	–	–	38.8	–	7.6	73.1
1949 (RE)	35.1	–	–	–	42.9	–	8.4	86.4
1950 (E)	24.7	–	–	–	43.1	–	8.7	76.5
Thailand								
1950 (E)	77.1	580.2	134.2	443.3	293.2	239.8	175.8	1,366.1
1951 (E)	107.0	819.1	194.0	622.6	393.0	265.1	255.7	1,839.9

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[a] The divergences between total customs receipts and the sums of the sub-items, export and import duties shown for India and Pakistan are due mainly to the fact that total customs duties are shown net of refunds. Smaller discrepancies for other countries are explained in the

Notes:

Figures refer to actual results unless otherwise stated. Fiscal years are indicated in the notes to table 125: Government revenue, expenditure and surplus deficit. Data refer to central government tax receipts only.

Burma. Customs receipts: exports and imports by sea only. *Transaction taxes* appear in the budgetary documents under the heading "Commercial Taxes", comprising the sales tax, the entertainment tax and taxes on business premises. The sales tax, established in 1949, accounts for about ¾ of the total in 1949 and after. *Other taxes:* betting tax and motor vehicle tax; data for 1947/48 and 1948/49 also include the entertainment tax.

India. 1947/48: 7½ months from 15 August, 1947 to 31 March 1948. *Personal income taxes:* excluding share payable to the states (457 and 477 million rupees respectively in 1949/50 and 1950/51). *Customs receipts:* exports and imports by sea. Total customs receipts include land customs and miscellaneous receipts less refunds and customs revenue assigned to the states. *Consumption taxes:* including state excises apportioned to the central government. *Monopoly profits:* opium and salt monopolies.

Indonesia. Transaction taxes: turnover tax and free sales tax. The free sales tax represents a levy of 95 per cent on the difference between the prevailing price of imported goods sold on the domestic market and the previously controlled price. This tax was introduced in 1950 after the elimination of price control on imported goods.

Japan. Taxes on income and wealth, include personal and corporate income taxes, estate and gift taxes, net worth tax and revaluation tax.

Malaya. Other taxes: mainly betting tax and motor vehicle tax.

North Borneo. Customs duties: beginning in 1951, total customs receipts include port and harbour duties.

Pakistan. Data for 1951/52 refer to draft estimates and do not reflect changes resulting from tax proposals introduced with the budget for that year. 1947/48: 7½ months from 15 August 1947 to 31 March 1948. *Customs duties:* exports and imports by sea. Total includes miscellaneous customs receipts less refunds. In 1949/50 and 1950/51 export and import duties represent actual receipts; total customs receipts for these two years, however, are revised estimates only. *Consumption taxes:* including State excises apportioned to the central government. *Monopoly profits:* salt monopoly. *Other taxes:* 1950/51 figure includes 10 million rupees of certain additional taxes levied under the Supplementary Finance Act of 1950.

Philippines. Consolidated data (general account, special accounts and bond accounts). *Total tax receipts:* including internal revenue apportioned to local governments in the following amounts: 1948: 34.7 million pesos, 1949: 50.8, 1950: 53.3, 1951: 50.3, 1952: 44.0.

Taiwan: Starting with 1949, amounts are expressed in New Taiwan Yuans. Totals shown include revenue of provincial governments.

Thailand. Taxes on income and wealth: include personal income taxes, commercial establishment taxes and bank and insurance taxes, not specifically levied on corporations. *Customs duties:* total includes fines and miscellaneous customs receipts.

Sources:

Burma. Budgets for 1948/49, 1949/50 and 1950/51.

India. Budgets for 1948/49, 1949/50, 1950/51, 1951/52 and explanatory memoranda thereto.

Indonesia. Nota Kouangan Negara, 1950-51.

Japan. Information supplied by the Finance Division, Economic and Scientific Section, GHQ, SCAP and by the Bureau of Budget, Ministry of Finance.

Malaya. Estimates of revenue for the years 1949, 1950 and 1951.

North Borneo. 1947 and 1948: *Colonial Reports,* North Borneo, 1949. 1949-1951: *Colonial Estimates,* 1950 and 1951.

Pakistan. Budgets of the Central Government of Pakistan, 1947/48-1951/52.

Philippines. Central Bank Statistical Bulletin, Vol. II, No. 3, June 1950; Budget for the year 1952.

Singapore. Colonial Estimates of the Revenue and Expenditure of the Colony of Singapore, 1948, 1949 and 1950.

Taiwan. 1947 and 1948: *Reconstruction of Taiwan,* Central Government Publication, Nov. 1950; 1949 and 1950: *Central Daily Newspaper of Taiwan,* January 21, 1951.

Thailand. Information supplied by the Ministry of Finance.

The tax reform in Japan

During 1950 some of the essential recommendations made by the Unite
States tax mission headed by Professor Carl Shoup in August 1949 wer
put into effect. As a result of the changes which have thus far bee
incorporated into law, the Japanese tax system has become one of th
most integrated and most modern tax systems of the region.

The main features of the reform were the following:

Income tax and net worth tax. The main purpose of the reform wa
to put the income tax on a workable basis through the use of lower rat
and higher exemptions. At the same time the dependent credit formerl
subtracted from the tax is replaced by a corresponding deduction fro
income; capital gains and losses are fully included in income; provisio
is made for averaging income of individual taxpayers over a five-yea
period. The revenue loss resulting from the elimination of the high rat
in the upper-income brackets is to be compensated by an annual net-wort
tax levied at a low progressive rate on "well-to-do individuals".

Corporate income taxation. In pursuance of the Mission's recommend
tions, the role of corporation taxation has been substantially reduced und
the new legislation. The excess profits tax and the tax collected fro
corporations upon liquidation are to be abolished. No change is made
the 35 per cent income tax on corporate income, but dividend receive
are permitted under the new system to deduct from their personal incon
tax 25 per cent of the dividends received, instead of the former 15 per cer

Assets revaluation tax. A special tax on assets revaluation was impos
as compensation for permitting income-tax payers to relate the depreciati
of assets to current price levels instead of historical costs. Revaluati
write-ups are to be set aside in a special capital account not to be ava
able for dividend payments or stock issues for three years. The total yie
of the revaluation tax is estimated at 60 thousand million yen. The ne
tax legislation also includes certain important changes relative to t
administration and enforcement procedures. The new laws provide th
important benefits, such as income averaging, are reserved to taxpaye
who maintain accounting records according to standards prescribed by t
Minister of Finance.

Reform of local taxes. In the field of local taxation, surtaxes to nation
taxes and prefectural taxes have been completely abolished. Equalizati
grants from the central government have been substantially increased; p
fectural and municipal taxes were greatly reduced in number. The thr
major components of local taxation, i.e., the inhabitant's tax, the real-est
tax and the enterprise tax, were substantially modified. The inhabitan
tax, a type of *per capita* or poll tax, is to be levied on a net-income bas
rather than on the basis of property. The real-estate tax, or former lar
and-house tax, is assessed on capital values instead of pre-war rental valu
It is now applicable to all depreciable assets, rather than only to real esta
Among the most original features of the Japanese reform is the value-add

sales tax which will go into effect on 1 January 1952. It replaces both the local enterprise tax and the national transactions tax. The value-added tax is levied at each stage of the manufacturing and distribution process on gross receipts of business enterprises minus the cost of everything purchased subject to this tax from other business firms, including capital equipment.

The tax reform in China

In the mainland of China, a resolution for the centralization of the tax system was passed by the State administrative council of the Central People's Government early in 1950, aimed mainly at improving the collection methods and simplifying the old tax structure. The main feature of the new tax system is its high uniformity both in legislation and in administration. Extra levies on the local level are now prohibited.

Methods of assessment and collection differ according to the taxpayer's condition. For "those industrial and commercial firms having a sound accounting system" the method of "self-reporting, official auditing and levying according to rates" would be adopted; for "those having as yet no sound accounting system" the method of "self-reporting, public discussion and democratic appraisal" would apply; and for "small firms without complete sets of books", the "fixed period and fixed quota" system would be used. The simplification of the tax system applies to both the kinds of taxes and the levying procedures. According to the new regulations the Government levies fourteen kinds of taxes, i.e., commodity tax, industry and business tax, salt tax, customs duty, income tax on salaries, wages and remunerations, income tax on interest, stamp tax, probate duty, trade tax, slaughter tax, house property tax, land property tax, special consumption tax and license-plate tax. The probate tax, the income tax on salaries and wages, and the trade tax have not as yet been levied in most areas.

Land taxes were reduced in 1950 to 15 per cent of the harvest, including local taxes, as compared with 20 per cent in 1949. A progressive land tax is levied in areas where land reform has not yet been fully carried out, on the basis of the average produce of land in normal years after allowing for exemptions. The rates are 10 per cent for "poor peasants", 15 per cent for "middle peasants", 25 per cent for "rich peasants", 50 per cent for "landlords" and 80 per cent for "special families" whose annual receipts exceed 6,000 bushels. Moreover, in these areas the regulation of the 37.5 per cent maximum rent ceiling has been fully enforced.

The most important changes effected in the new tax legislation of 19 December 1950 resulted in increasing the basic exemptions for the business income tax, the granting of varying tax reductions to essential industries listed in the national reconstruction programme, the exemption from income tax of interest on loans between industry and agriculture, the exemption from or reduction of commodity taxes on basic raw materials for industrial production and daily necessities of consumption, and the adjustment of the slaughter tax in order to protect the breeding of animals.

The tax reform in the Philippines

The basic object of the Philippine tax reform, which was recommended in October 1950 by the United States Survey Mission to the Philippines (Bell Mission), was to provide immediately additional revenue through emergency measures, and to increase government receipts by one-fourth, beginning in 1952. The principal features of the suggested reform were an increase in certain excise taxes, particularly on cigarettes, distilled spirits and other luxury import items, increases in the corporate and individual income taxes and in the estate and gift taxes.

For local government, it was suggested that assessments of property values should be increased in order to bring them more nearly in line with actual values.

The Mission also proposed certain important changes in the administration of the residence tax and the estate and gift taxes. The residence tax which is typical of the Philippine tax system, would be levied on individuals and corporations. It was to be reconstituted as a threefold levy based on real property, bequests and gifts, whether of death or *inter vivos,* and net income. Correspondingly, the transfer taxes paid by heirs (inheritance taxes) and by donees (gift taxes) would be repealed, while the estate tax and the gift tax paid by the donor would be fused into a single cumulative transfer tax.

During the first quarter of 1951 the Philippine Parliament implemented some of the recommendations of the Mission. Excises on liquor and cigarettes were substantially increased, as were the sales taxes on imported luxury goods. It is expected that the increase in taxes thus authorized wil yield 9 million pesos of additional revenue annually. On 28 March, two bills were passed imposing a 19 per cent tax on foreign-exchange transactions for two years, and increasing the tax rates on corporate income to 20 and 23 per cent, as against the former flat rate of 17 per cent. N action has been taken as yet on the proposed reform of the residence ta and the estate and gift taxes.

PUBLIC DEBT DEVELOPMENTS

The widely different methods of reporting public-debt data in the are as well as the lack of comprehensive information for certain countrie have made it impossible to undertake a comparative analysis of public-deb developments on a regional basis. The brief and necessarily incomple country-by-country survey which follows nevertheless reveals certa major trends common to most countries in the region which it is useful indicate at the outset.

The most important similarity in the debt positions of the countries the region is, of course, the huge growth in debt during and immediate after the war. Since virtually all of this growth was in the internal deb the proportion of external debt to total debt has become relatively sma even in countries where the external debt was markedly predominant before the war. In some countries this change in the internal-external debt ratio has been aided by repatriation of a large part of the external debt, as in Ceylon, India and Thailand, or by conversion into debt denominated in local currency, as in Japan. Burma is a major exception to this general trend. Its external debt still comprises by far the larger part of the total debt. In Pakistan also the debt owed to India, as tentatively estimated, is much larger than the internal debt, although the debt newly incurred since the country was established is altogether internal. In Malaya the internal and external debt are about evenly divided, as they were before the war. In Indochina, for which information is available only on the funded debt, all but a very small amount is external debt.

For the Far East as a whole, dollar obligations have grown in importance compared with the debt owed to the United Kingdom, the Netherlands and France, but the volume of sterling obligations apparently still exceeds the dollar debt.

During the last two years the internal debt has continued to grow at a significant pace in most countries. In India, however, there was only a slight increase, which made it necessary for the Government to draw down its cash balances in order to meet the substantial deficits of the past two years. In Japan there was actually a sharp contraction as a result of a strongly deflationary budget policy providing for surpluses which were utilized for debt redemption.

The expansion in internal debt was primarily in short-term obligations, with some small increases in the bonded debt of Burma and Thailand.[9] The important exception was in Indonesia, where the currency reform of March 1950 was combined with a compulsory long-term government loan. In most of the countries of the area, including Indonesia, the bulk of the internal debt now outstanding is short-term debt. Exceptions are Ceylon, India and Malaya.

A very large part of the internal debt is held by the central banks of the Far Eastern countries. The recent establishment of central banks in a number of countries should help, with proper management, to develop a market for government securities so that the internal debt could not only be taken out of the portfolios of the central banks, but could be increased. This is important as a means of promoting savings, which should help to lessen the requirements for foreign borrowing when the government needs funds to finance purely local expenditures.

The development plans of the Far Eastern countries which are participating in the Colombo Plan do not call for large increases in internal debt. Only small portions of the additional investments envisaged by the individual country programmes are to be covered by new internal borrowing and taxes; most of the financing is to be done through grants or loans from abroad.

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[9] In Thailand, however, the increase that occurred in the bonded debt during 1949 was partially offset by a decline in 1950.

Country Surveys

Burma

External loans continue to comprise the greatest part of Burma's publi debt despite a 35 per cent increase in the domestic debt during 1940-5 On 30 September 1950, the total debt was Rs. 973 million, of which all b Rs. 101 million was foreign. It is estimated that at the end of Septemb 1951 domestic debt will have increased by another Rs. 11 million, whi the foreign debt will have declined only Rs. 1.2 million.

Table 128. Outstanding Debt of the Government of Burma[a]
(In millions of rupees)

		Revised estimates	
	30 Sept. 1949	*30 Sept. 1950*	*30 Sept. 1951*
Internal debt			
1. Public debt			
Treasury bonds	–	30.0	40.0
Treasury bills	38.6	38.6	38.6
TOTAL	38.6	68.6	78.6
2. Unfunded debt[b]	34.4	30.3	31.8
3. Deposits[c]	1.8	1.8	1.8
TOTAL, internal debt	74.8	100.7	112.2
External debt			
1. Debt to India	481.4	481.4	481.4
2. Debt to the United Kingdom	371.3	371.3	371.3
3. Debt to the United States	23.4	20.0	18.8
TOTAL, external debt	876.1	872.7	871.5
TOTAL, debt	950.9	973.4	983.7

[a] Interest-bearing obligations only.

[b] Consisting primarily of Post Office Savings Bank deposits and State Provide funds, but including also Post Office cash certificates, savings certificates, and the Sta Railway provident fund.

[c] Renewals reserve fund of Posts and Telegraphs.

No provision has as yet been made for resumption of payments on t Rs. 481.4 million debt to India which were suspended beginning in 1942-4 This debt represents Burma's share of the cost of public expenditures a improvements, particularly on the railways, made by the Government India before Burma's separation in 1937. The Burmese Government appa ently hopes to have the outstanding balance scaled down.

Amortization on the Rs. 371.3 million owed to the United Kingdom f the non-interest-bearing rehabilitation loans granted immediately after t war is to begin in 1952. Burma appears to be hoping that the balance this loan also may be reduced by the conversion of part of it into a gra in accordance with a special provision envisaging this possibility in the lo agreement with the United Kingdom.

The £6 million (Rs. 84 million) Commonwealth Loan obtained in 19 is not included in the debt table since Burma did not draw on the lo during 1949-50, and according to the Finance Minister's budget speech, does not plan to do so during 1950-51. The Government announced in March 1951 that it had requested a £5 million (Rs. 70 million) loan from the United Kingdom for the purpose of buying a one-third interest in a new enterprise contemplated by the Burma Oil Company for the expansion of its producing and refining operations.

The increase in Burma's domestic debt was in the form of funded debt only. Until 1950 Treasury bills had been the only negotiable government debt, but on 1 April two negotiable, medium-term bond issues were made available, one for three years bearing interest at 2½ per cent, and the other for five years bearing interest at 3 per cent. Like the Treasury bills these bonds are on tap, and are marketed through the Union Bank of Burma. They were received more readily than had been anticipated by the Government, and have been taken up mostly by local commercial banks. It is estimated that another Rs. 10 million will be absorbed during 1950-51.

Interest on Burma's public debt is exceedingly small, equivalent to only one-half of 1 per cent of the current revenue in 1949/50 and 1950/51. Moreover, nearly three-fourths of the debt on 30 September 1950 was covered by interest-yielding assets, about half of them in the form of loans made to the Burma Railway Board and to agriculturalists, co-operatives and municipalities.

Ceylon

The bulk of the debt of the Government of Ceylon consists of domestic obligations, as there has been no borrowing from the United Kingdom since 1939. On 30 September 1950 the debt totalled Rs. 672 million, i.e., more than three-and-one-fourth times the 1939 amount. Expansion of the funded debt accounted for almost 80 per cent of the war and post-war increase in the internal debt. However, between 1948 and 1950 Treasury bills rose almost as much as the funded debt.

Table 129. Outstanding Debt of the Government of Ceylon[a]
(In millions of rupees)

	30 Sept. 1939	*30 Sept. 1948*	*30 Sept. 1949*	*30 Sept. 1950*
Internal debt				
Bonds[b]	40.3	367.5	423.7	436.0
Treasury bills	–	24.0	16.2	78.6
Savings certificates	1.6[c]	33.2[c]	32.6	31.6
TOTAL, internal debt	41.9	424.7	472.5	546.2
Sterling debt[d]	163.4	125.4	125.4	125.4
TOTAL, debt	205.3	550.1	597.9	671.6

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[a] Interest-bearing obligations only. Excludes the special loan of Rs. 14.3 million granted by the Central Bank to cover Ceylon's subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development.

[b] Gross debt. Sinking funds on 30 September 1950, totalled Rs. 70.0 million.

[c] 31 December.

[d] Gross debt. Sinking funds on 30 September 1950, totalled Rs. 75.7 million.

The 1948-50 expansion in the bonded debt resulted from two issues floated in February 1949 — a 2½ per cent loan due in 1959-64, and a 3 per cent loan due in 1969-74. The subscriptions to these two loans totalled Rs. 77.5 million. The expansion in outstanding Treasury bills stemmed from increased offerings beginning in the middle of 1950 in order to finance unusually large food purchases.

Two new bond issues were floated in November 1950 under the National Development Loan Act, which authorized the Government to raise Rs. 400 million. One of the issues was a two-year loan of Rs. 40 million bearing 1½ per cent interest. The second issue was a long-term loan of Rs. 50 million bearing 3 per cent interest and repayable in 1966-71. Almost one-half of the 90 million in new obligations was taken up by commercial banks, and only about 8 per cent by insurance companies and other institutional investors and individuals. The remainder was absorbed by the two government savings banks and other government agencies.

In fiscal 1949-50, servicing of the public debt amounted to Rs. 37 million, or 7 per cent of current revenue. The total debt of Rs. 598 million outstanding at the end of that year was only 13 per cent greater than revenue, and amounted to about one-third of the estimated national income.

Hong Kong

On 31 December 1950, Hong Kong's funded public debt totalled $HK 65.7 million. This is a gross figure, not allowing for sinking-fund balances. Although small, the debt was not increased during the fiscal year ending in March 1951, despite an expected deficit of some $HK 7 million for the year. Servicing of the debt in 1950-51 amounted to $HK 5 million, or only 3 per cent of revenues.

Most of the debt, i.e., $HK 48.7 million, is accounted for by the 3½ per cent Rehabilitation Loan of 1948, maturing in 1973-78. The Government was permitted to float a total of $HK 150 million under this loan but failed to take complete advantage of the authorization because of its increasing revenues as well as the sizeable floating balances at its disposal The remaining debt consists of a 4 per cent conversion loan of $HK 4.8 million issued in 1933, and two 3½ per cent loans, one of $HK 5.0 million issued in 1934, and the other of $HK 7.1 million issued in 1940.

India

The outstanding debt of the Central Government of India at the en of the fiscal year terminating 31 March 1951 totalled Rs. 25,620 million an amount somewhat more than double the 1939 figure of Rs. 12,060 mi lion. The most important change in the composition of the debt in th intervening period resulted from the repatriation of most of the sterlin debt, which declined from Rs. 4,690 million to only Rs. 360 million, c from 39 per cent of the total debt to only 1.4 per cent. This reduction wa made possible by the acquisition of large sterling balances during the war years, and implied a significant mitigation of India's future transfer burden. If one were to exclude from the sterling debt the liability for the war loans from the United Kingdom, which remains suspended, and the liability for the capitalization of the sterling railway pensions, against which an equivalent deposit has been made with the United Kingdom, the figure for the sterling debt would be only Rs. 50 million instead of Rs. 360 million. The only other foreign debt at the end of fiscal 1950-51 was the dollar debt of Rs. 250 million resulting from loans received in 1949 and 1950 from the International Bank for Reconstruction and Development.

Of greatest significance in the post-partition period was the decline in the funded domestic debt. Although the total domestic debt rose by

Table 130. Outstanding Debt of the Government of India[a]
(FISCAL YEAR ENDING MARCH 31)
(In millions of rupees)

	1938-39 closed accounts	*1948-49 revised estimates*	*1949-50 revised estimates*	*1950-51 revised estimates*	*1951-52 budget estimates*
Debt in India					
1. Public debt					
Loans	4,379	14,784	14,522	14,385	14,517
Treasury bills, and ways and means advances	463	3,693	3,491	3,519	3,519
Treasury deposit receipts	–	40	124	213	213
TOTAL	4,842	18,517	18,136	18,117	18,249
2. Unfunded debt[b]	2,251	3,661	3,917	4,499	4,891
3. Deposits[c]	273	1,951	2,510	2,392	2,111
TOTAL, debt in India	7,366	24,130	24,563	25,007	25,252
Debt in England					
1. Public debt					
Loans	3,965	34	27	14	13
War contribution	206	206	206	206	206
Capital portion of railway annuities in purchase of railways	478	155	133	110	85
TOTAL	4,649	395	366	329	305
2. Unfunded debt[d]	42	33	32	32	32
TOTAL, debt in England	4,691	428	398	362	336
Dollar debt	–	–	168	246	286
TOTAL, debt	12,058	24,558	25,129	25,615	25,874

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[a] Interest-bearing obligations only. This table therefore excludes the "special floating oan" which covers India's subscriptions to the International Monetary Fund and the nternational Bank for Reconstruction and Development, and which amounted on 0 March 1951 to Rs. 2,126 million, as well as Rs. 70 million in "expired loans".

[b] Primarily Post Office Savings Bank deposits, national savings certificates, and tate provident funds.

[c] Reserve funds and other deposits.

[d] Service funds.

N.B. Details may not add up to given totals due to rounding.

Source: Explanatory Memoranda of the Central Government Budget.

Rs. 880 million from 1949 to 1951, the long-term debt actually declined by Rs. 400 million. This decline, due to a combination of factors, and in particular the maintenance of low interest rates, and probably also a general lack of confidence resulting from partition and the outbreak of war in Korea, has nullified the government's attempt to expand its funded debt for the purpose of financing its capital expenditures. Thus in 1948-49 the government planned to issue new securities totalling Rs. 1,500 million, but succeeded in raising only Rs. 550 million; in 1949-50 only Rs. 400 million were raised against a planned Rs. 850 million; and in 1950-51 only Rs. 300 million against a planned Rs. 750 million.

The ratio of the aggregate of Treasury bills, ways-and-means advances, and Treasury deposit receipts to the government's bonded debt increased from a pre-war 11 per cent to 26 per cent in 1951, a growth that offers the Government greater opportunity for monetary control. Most of the expansion arose from the issuance of Treasury bills to the Reserve Bank to finance the repatriation of the sterling debt. Between 1949 and 1951 there was a small drop in Treasury bills, but this was offset by an increase in Treasury deposit receipts.

The funds made available to the Government in the form of "small savings" which include primarily Post Office Savings Bank deposits, national savings certificates and state provident funds, and are shown as "unfunded debt" in the table, constituted the main source of new government borrowing between 1949 and 1951. The last category of domestic debt, i.e., "deposits", consisting mostly of depreciation and reserve funds of the communications services, increased severalfold during the war when railway and other supplies could not be obtained. These deposits reached a peak in 1949-50, however, and can no longer be counted on by the Government for net additions to its available funds.

The budget estimates for 1951-52, despite a proposed increase of Rs. 31 million in taxes, envisage a net expansion of Rs. 130 million in the long term debt. The only other contemplated addition to debt is an increas of Rs. 390 million in small savings, which will be considerably offset b an expected decline of Rs. 280 million in deposits.

The debt held in England is to decline by Rs. 30 million, while furthe borrowings from the International Bank are expected to increase the dolla debt by Rs. 40 million. The budget estimate of the total outstanding deb on 31 March 1952 is thus only 1 per cent more than at the end of th preceding year. However, even if the goal of a Rs. 250 million increase i domestic debt should be met, the government will again have to dra upon its cash balances to the extent of Rs. 520 million in order to cove the budgeted deficit. That will leave the government with a cash balanc of only Rs. 430 million, appreciably below the Rs. 500 million which considers a safe level.

Few details are available on the ownership of the government debt. A the end of March 1950, the banking system held somewhat more than tw fifths of the total "public debt". Rs. 4,390 million were in the portfolio of the Reserve Bank of India, Rs. 3,330 million in the portfolios of the scheduled banks, and about Rs. 90 million in the portfolios of the non-scheduled banks. Private individuals, it has been estimated, hold close to one-fifth of the outstanding government bonds. This would mean that roughly two-fifths of the "public debt" is held by various central and state government organs, insurance companies (which are required by law to hold government securities equal to at least 25 per cent of their liabilities), and other institutional investors.

Although the debt is now more than double the pre-war level, the real cost of the debt has not increased proportionately because of inflation. In 1950/51 net interest payments on the debt amounted to 8.5 per cent of net budgetary revenue as against 5.0 per cent in 1941/42. When the debt charge is evaluated in terms of the use made of the funds, it is important o note that more than half of India's debt is offset by various interest-yielding assets, including loans to the railways and other government commercial departments and to the provincial governments, as well as the annuities purchased by the government for the sterling pensions.

Debt operations during 1950-51 seem to indicate the beginning of a etreat from the easy-money policy that had been maintained during and ıfter the war. The first loan floated by the Government since 1 October 1948 that was not a conversion operation was a Rs. 150 million, 2½ per cent five-year issue announced in January 1950. The rate of interest was he same as for the 1948 loan, but the new loan was for a shorter term nd was issued below par at Rs. 99-14-0. This was followed in June by the nly other flotation of the year, a Rs. 300 million, fourteen-year cash and conversion loan issued at 3 per cent, the conversion being against 2½ per ent bonds due in July 1950. Later that year the Central Government ermitted three state governments and one municipal to issue loans with ields ranging as high as 3.31 per cent. If these several operations portend n upward trend in the interest rate, the relative cost of servicing the debt nay slowly rise, unless national income and government revenue rise nore than proportionately.

ndochina

Only a very small portion of Indochina's long-term debt at the end of 949 was internal debt. The latter consisted of two loans, a defence loan f 50 million piastres issued in 1944 and due to be amortized by 1954, and railway loan of 6 million piastres issued in 1921 which was to be amorized by 1951. The external debt consisted of seven French-franc loans, the total authorized amount of which was 2,167 million French francs.] he oldest external loan, an 80-million-franc loan for Annam-Tonkin, was ssued in 1896. Although it was not due to be amortized until 1956, the oan was paid off in 1949. The most recent loan was one for 191 million rancs floated in 1934; amortization on this loan was scheduled to be ompleted in 1949. Final amortization dates on the remaining loans range rom 1956 to 1988.

Table 131. Outstanding Funded Debt of Indochina

(In millions of piastres)

	31 Dec. 1946	31 Dec. 1947	31 Dec. 1948
Internal debt	52.5	52.0	51.5
External debt	1,016.1	989.7	962.1
Total, funded debt	1,068.6	1,041.7	1,013.6

Indonesia

Indonesia's debt increased by almost 40 per cent in 1950. The rise wa wholly in the internal debt, which expanded by Rs. 2,033 million; th external debt declined by Rs. 344 million. The major changes in the com- position of the internal debt were the establishment of a funded debt o Rs. 1,540 million and an increase of Rs. 1,464 million in the debt owe to the Javasche Bank. The funded debt was a result of the 3 per cen compulsory loan of March 1950 undertaken in order to consolidate th floating debt. The resulting contraction in the short-term debt was mor

Table 132. Outstanding Debt of the Government of Indonesia[a]

(In millions of rupiahs)

	31 Dec. 1949	31 Dec. 1950
Internal debt		
1. Long-term	–	1,540
2. Short-term		
Debt to Javasche Bank	1,352	2,816
Currency notes	947	359
Small-denomination currency notes	31	35
Treasury notes	529	142
Total, short-term	2,859	3,352
Total, internal debt	2,859	4,892
External debt		
1. Long-term		
Bonds	873[b]	837[b]
Surplus property credit	238	238
ECA (Export-Import Bank) loans	57	65
Canadian credit	53	53
Australian credit	72	71
Total, long-term	1,293	1,264
2. Short-term		
Current foreign payment accounts[c]	277	80
Bretton Woods account	118	–
Total, short-term	395	80
Total, external debt	1,688	1,344
Gross Total, debt	4,547	6,236
Cash and deposit balances	—162	—150
Net Total, debt	4,385	6,086

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[a] The external debt has been converted at the rate of 3.80 rupiahs = 1 US dollar.

[b] Some of these bonds are payable in Indonesia.

[c] Sterling swing account, C-account, and HG/HI account.

an offset by borrowing from the Javasche Bank in order to cover the overnment's huge deficits.

The decrease in the long-term external debt resulted from the redemp- on of Rs. 37 million in various bond issues denominated in Netherlands urrency. These redemptions were partly offset by the receipt of Rs. 8 illion in United States Export-Import Bank loans. In 1951 there will be large expansion in the external debt. Part of this increase will be from e three new Export-Import Bank loans totalling $52.2 million (Rs. 198.4 illion) which were contracted on 12 January 1951. An even larger loan anticipated from the Netherlands.

In order to increase the interest of the public in its longer-term securities, 1 November 1950 the Government raised the rates on all such securities om 1½ to 1¾ per cent for those with a maturity of one year, from 3 to ½ per cent for those with a maturity of three years, and from 3 to 4½ er cent for those with a maturity of five years.

alaya and Singapore

The total funded debt of the Government of the Federation of Malaya the end of 1949 was Malayan $177 million, almost two and a half times e aggregate funded debt at the end of 1938 of the areas that now com- ise the Federation. External debt, which was slightly less than half of e 1938 total, comprised 58 per cent of the 1949 volume and consisted of o sterling loans, one of £4 million issued in 1935 by the former Federated alay States, and one of £8.05 million issued in 1949 by the Federation overnment itself.

Table 133. Outstanding Funded Debt of the Federation of Malaya
(In millions of Malayan dollars)

	31 Dec. 1938	*31 Dec. 1948*	*31 Dec. 1949*
rmer Federated Malay States			
Internal debt	31.0	61.0	61.0
External debt	34.3	34.3	34.3
TOTAL	65.3	95.3	95.3
rmer Unfederated Malay States			
Internal debt	8.0	4.7	–
External debt	–	–	–
rmer Singapore Straits			
nternal debt	–	11.9	–
External debt	–	–	–
rmer Malayan Union			
nternal debt	–	66.5	12.5
External debt	–	–	–
deration of Malaya			
nternal debt	–	–	–
External debt	–	–	69.0
TOTAL, debt	73.3	178.4	176.8

While there was an increase in the external debt during 1949, th
internal debt declined by a slightly larger amount, so that the total ou
standing at the end of 1949 was a little less than that of a year previou
Of the internal loans that remained outstanding at the end of 1949, a
were obligations that had been contracted by the former Federated Mala
States, except for the 1946 debt incurred by the Malayan Union.

At the end of 1948, in addition to the funded debt the Federation c
Malaya had obligations in the form of Treasury bills which amounted t
Malayan $20 million, and of War Savings Certificates which totalled 2
million. The certificates, which had been issued by the Malayan Unio
matured in 1950. Information is not available on the amount of Treasu
bills outstanding at the end of 1949.

The funded debt of the Colony of Singapore at the end of 1949 amount
to Malayan $105 million, all of it internal. Of this debt, Malayan $
million had been raised in 1936; two wartime loans aggregating Malay
$35 million had been raised as Singapore's contribution to the Imperi
War Fund, and Malayan $50 million had been raised in 1946 to finan
rehabilitation expenditures. In addition to the long-term funded debt, t
Colony had debt in the form of War Savings Certificates and Treasu
bills. A total of Malayan $8.7 million in certificates was issued during t
war, while the volume of bills on 31 December 1949 was estimated to
Malayan $33.4 million.

The funded debt, which is scheduled to remain at the 1949 level throu
1951, is somewhat less than the 1951 budget estimates of revenues, whi
total Malayan $113 million. Debt service in the 1951 budget amounts
Malayan $6.0 million, or 5 per cent of current revenues.

Pakistan

Between the time of its establishment in August 1947, and the end
March 1951, the Government of Pakistan accumulated more than Rs. 1,7
million in new debt. The largest part of the new debt consisted of Rs. 9
million in funded loans. In addition there was Rs. 688.5 million of *ad h*
debt held by the Issue Department of the State Bank. These obligatio
were created by the Government of Pakistan to cover the fall in the va
of the Bank's assets as a result of the depreciation of the pound sterl
and the Indian rupee. The increase in Treasury bills was also fairly sizab
with Rs. 102 million being held at the end of November 1950 in the Bank
Department of the State Bank of Pakistan alone.

Most of Pakistan's new funded debt was raised in 1948; it amounted
Rs. 706 million at the end of March 1949. Between that date and the
of March 1950, it increased by only Rs. 53 million, but during the n
year it rose by almost Rs. 200 million.

In addition to this internal debt, an amount as yet undetermined is ov
to India as Pakistan's share of the financial obligations inherited f
British India, for which independent India accepted initial responsibi

 four-year moratorium was placed on this debt, which is to be amortized fifty equal annual instalments, with the first payment due 15 August 952. Until the exact amount of the debt is decided upon by the two ominions, India is using the figure of Indian Rs. 3,000 million as a ough estimate of Pakistan's liability.

Table 134. Outstanding Funded Debt of the Government of Pakistan
(31 MARCH 1951)
(In millions of rupees)

ate of issue	*Rate*	*Date of maturity*	*Amount outstanding on 31 Mar. 1951*
ebruary 1948	2¾% loan	1953-54	318.9
ctober 1948	2¾% loan	1955-56	134.1
ly 1950	2½% loan	1956-57	69.6
ctober 1948	2¾% loan	1958-59	103.0
bruary 1948	1½% income tax-free bearer bonds	1958	0.9
bruary 1948	3% loan	1960	127.4
ctober 1948	3% loan	1963	30.2
bruary 1948	3% loan	1968	144.6
ly 1950	3% loan	1969-70	23.3
TOTAL			952.0

Additional government obligations, the amount of which is unknown, xist in the form of various deposits and savings certificates. Part of these bligations were taken over following partition. Each Dominion assumed ability for the Post Office Savings Bank and Post Office Cash deposits d the Defence Savings Certificates and National Savings Certificates at were outstanding in its own area. The balances in the Provident ension) Funds were taken over by the Dominion for which the civil rvants opted. In addition, each Dominion took over that portion of the preciation and reserve funds of the railways and other commercial vernment departments which was related to the physical assets in its n territory. The accounts covering excess profits tax deposits and come tax deposits were also divided.

In 1949-50 the debt service of Rs. 37.6 million was equal to 5 per cent the Government's revenues. In the following year, however, the estiated debt service of Rs. 42.6 million appears to have been only about 5 per cent of revenues, the latter being unusually large as a result of ry heavy customs receipts. Moreover, revenue received by the Governent as service on loans made by it to commercial government departments d provincial governments totalled Rs. 55.1 million in 1949-50 and . 54.5 million in 1950-51, i.e., more than the Government expended on own debt service.

ilippines

Prior to the war virtually all of the Philippine Government's debt conted of external obligations. By mid-1950, however, because of the huge government deficits in the post-war years the internal debt comprised abou two-thirds of the total. This inversion has developed despite a large increas in the external debt resulting from the 60-million-dollar loan obtained i 1947 from the Reconstruction Finance Corporation of the United State

Table 135. **Outstanding Debt of the Central Government of the Philippin**
(In millions of pesos)

	30 June 1939	*30 June 1948*	*30 June 1949*	*30 June 1950*
Internal debt[a]	3.0	7.5	324.5	454.3
External debt	143.4	232.2	232.2	232.2
TOTAL	146.4	239.7	556.7	686.5

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[a] Does not include long-term debt of national government enterprises estimated 18 million pesos on 30 June 1948.

Almost half of the internal debt outstanding on 30 June 1950, was de owed to the Central Bank. In the 1948 legislation establishing the Ban provision had been made for a special overdraft of up to 200 millio pesos on which the government could draw before 1 July 1950 against equivalent amount of negotiable government securities. These credits we to be used only for "productive and income-producing projects", or f servicing external obligations. It is believed that the Government us 126 million pesos of this credit. In addition the Government had obtain from the Central Bank budgetary advances totalling 64 million pes Apparently 87 million pesos of the remaining 254 million of internal de consisted of rehabilitation and development bonds, and 16 million Treasury bills. The rest consisted mostly of the Government's obligati for back pay owed to pre-war government employees and of long-te loans for the construction of bridges.

Of the external bonded debt, 97.5 million pesos were issued prior 1 May 1934, that is, before the Philippines became a Commonwealth, a only 5.5 million pesos were issued thereafter. In 1949, the sinking fu for the pre-1934 obligations amounted to 48 million pesos. The sink funds required in 1949 for the post-1934 issues were only 1.0 million pes

Two hundred million pesos of the long-term foreign debt will fall within the next three years. This includes the Reconstruction Fina Corporation loan, of which 25 million dollars is due in 1951 and 35 mill in 1953, and 40 million dollars of bonds issued in 1922 and due in 19 The repayment of these obligations will leave the external debt, un augmented in the interim by new borrowings, at less than one-fourth the pre-war level.

Thailand

Between December 1948 and October 1950, the internal debt of Thail grew by more than 40 per cent. Most of the increase was in the floa debt. Although the bonded debt rose somewhat in 1949 as the result

50-million-baht loan floated the previous year, redemptions resulted in a decline during 1950. The ratio between Treasury bills and bonds on 31 October was 3 to 1, in sharp contrast to the situation in most other Asiatic countries, where the volume of Treasury bills was much smaller than that of government bonds.

Table 136. Outstanding Debt of the Central Government of Thailand

	31 Dec. 1948	*31 Dec. 1949*	*31 Oct. 1950*
nternal debt		(Millions of baht)	
Bonds	282.6	319.6	307.1
Treasury bills	400.0	606.3	876.3
Treasury bonds	155.0	–	–
TOTAL, internal debt	837.6	925.9	1,183.4
xternal debt		(Millions of currency)	
Sterling	1.9	1.6	1.5
Rupee	45.7	–	–
US dollar	6.2	5.7	5.4

Annual payments steadily reduced the foreign debt between 1948 and October 1950. In 1949 the rupee debt was repatriated, and the last payment vas made on the 1909 sterling loan, leaving only the sterling loan conracted in 1936. When converted at the rate of 12.5 baht = 1 US dollar, he foreign debt on 31 October 1950 was the equivalent of 120 million baht, or 10 per cent of the domestic debt.

Not included in the above paragraph are the three loans totalling 25.4 nillion dollars that were granted to Thailand by the International Bank or Reconstruction and Development under loan agreements signed on 7 October 1950. The loans are to be used for the rehabilitation of the Royal State Railways (3 million dollars), for the development of the ort of Bangkok (4.4 million dollars), and for irrigation, drainage and vater communications in the important rice-producing area called the Central Plain (18 million dollars). The first two loans are for fifteen-year erms and carry interest rates of 2¾ per cent *per annum* plus 1 per cent ommission. The irrigation loan is for a term of twenty years and carries n interest rate of 3 per cent *per annum* plus 1 per cent commission. mortization payments are to start in 1954 on the first two loans, and in 956 on the third.

Legislation was enacted on 10 January 1951 to permit the government borrow during 1951 and 1952 up to 1,117.5 million baht for investment the rehabilitation and development of the country. This sum was to be nade up of the International Bank loans, valued at 317.5 million baht, and f 800 million baht which the government could borrow from any other ource. Such borrowings could be made in the form of either bills or onds. Interest on any such bills was to be at a rate not exceeding 3 per cent *er annum,* while the bonds were to carry interest of not more than 4½ er cent *per annum.*

Japan

By 31 December 1950, the net internal debt of the Government of Japa had been lowered through the use of budgetary surpluses and foreig grants by almost one-fourth of the amount outstanding on 31 March 1949 with most of the contraction occurring in the funded debt. In addition t the bonds, the debt consists of short-term bills (almost entirely food certificates) and "other borrowings" which include large amounts for th general accounts, for expenses connected with the occupying forces, an for the railways, communications and foreign-exchange accounts.

Table 137. Outstanding Internal Debt of the Government of Japan[a]
(In thousand millions of yen)

	31 March 1949 (actual)	*31 March 1950 (actual)*	*31 March 1951 (estimates*
National bonds	226.5	223.5	119.7
Short-term bills	100.2	87.3	100.0
Borrowings	87.7	85.6	103.8
Temporary borrowings	32.5	38.3	7.7
TOTAL	446.9	434.7	331.2

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[a] These net figures exclude sizable amounts of obligations held by governme agencies which brought the gross debt on 31 March 1949 to 523.4 thousand million y and on 31 March 1950 to 536.5 thousand million yen.

On 31 March 1950, the Bank of Japan held 60 per cent of the net de and practically all of the remainder was held by other financial institution including some that were closed after the war and are being liquidate Of the funded debt alone, half was held by the Bank of Japan.

The foreign debt at the end of March 1951 was probably the same at the end of October 1949, the date of the data given in the followi table. As will be seen, the dollar debt is now only one-fourth as large

Table 138. Outstanding External Funded Debt of the Government of Jap
(In millions of national currency units)

	31 Dec. 1941	*30 Oct. 1949*
United States dollar debt	283.3	67.6
National Government	152.7	21.4
Local government	24.9	6.3
Corporate	105.8	39.9
Pound sterling debt	88.4	61.1
National Government	77.1	51.6
Local government	8.1	6.6
Corporate	3.2	3.0
French-franc debt	611.1	578.6
National Government	416.0	383.4
Local government	195.2	195.2

at the beginning of the war, and the sterling debt only two-thirds as great. This sizable reduction is attributable primarily to the conversion into yen debt of the foreign-currency bonds that were held by Japanese and non-belligerent nationals under the March 1943 Law Relating to the Treatment of Foreign Bonds. A smaller part of the foreign-debt contraction was due to the liquidation, also carried out in accordance with the 1943 law, of bonds held by the issuers, and totalled $23.8 million and £0.2 million.

Although trading in Japanese bonds was continued in Britain throughout the war, trading in the United States was suspended on 8 December 1941, and was not resumed until 11 November 1950. The payment of principal and of interest has not yet been resumed,[10] but the prices on the New York exchanges rose by about 50 per cent between November 1950 and March 1951.

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[10] By the end of 1950 the unpaid interest that had accrued on the dollar obligations totalled $35 million.

CHAPTER XV

Currency and Credit[1]

Changes in Structure

The Supply of Money Under Different Monetary Standards

In pre-war years every country of the ECAFE region was on a foreign exchange standard based upon the currency of a western Power. Japan however, had a managed currency. Countries within the British Empir namely Burma, Ceylon, Hong Kong, India, Malaya and British Borne and also China and Thailand, were on a sterling exchange standard. Indo china was linked to the French franc, Indonesia to the Dutch guilder an the Philippines to the United States dollar. Most of these countries kep 100 per cent reserves in foreign assets against the currency issue, whi others were on a proportional reserve system. Burma, Ceylon, Hong Kon Malaya and British Borneo, the Philippines and Thailand kept a 100 p cent reserve; China 60 per cent, and India, Indochina and Indonesia 4 per cent. The supply of currency was dependent, therefore, complete or partly, on the balance-of-payments position, changes in which we adjusted by changes in currency in circulation within the countries. B this means the external value of these currencies was maintained.

In practice, however, the money supply did not necessarily change the exact extent of balance-of-payments changes, since deposit mon formed the other component of the money supply and, in addition, the was a certain amount of friction in the operation of the system. Howeve in all countries of this region except Ceylon and Japan, deposit mon constituted only a small percentage of the total money supply. This, pl the fact that except in China and India no central banks existed, mea that changes in deposit money were unlikely to follow a different patte from changes in currency.

In post-war years great changes have occurred in the currency a credit systems of the region, owing to the complete or partial abandonme of rigid exchange standards and the creation of central banks, some of which have been armed with wide powers for controlling credit and determining the supply of money. However, a few countries are still on an automatic exchange standard, namely Burma (in spite of the fact that it attained independence in 1948, in which year a central bank was created), Hong Kong, Malaya and British Borneo. In other countries, although there continued to be an informal link with the western countries, inasmuch as exchange rates are stabilized and foreign assets are held in their currencies, many of them, for example Ceylon, India, Pakistan and the Philippines, have become members of the International Monetary Fund and their currencies have been defined in terms of gold. Central banks now exist in Burma, Ceylon, China, India, Pakistan, the Philippines and Thailand. In Indonesia the Java Bank acts as both a commercial and a central bank.

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[1] A more detailed account, especially of changes in the financial structure and measu taken by central banks with reference to economic development, is contained in ECAFE study on *Mobilization of domestic capital through financial institutions of ECAFE region* (E/CN.11/I&T/40, 3 January 1951).

Changes in the supply of money depend on the policy toward credit expansion and contraction of the central bank and/or the currency-issuing authority and commercial banks. They are also a function of the reserve requirement against currency issue, the amount of exchange assets available and the legal reserve requirements for deposit money.

In some countries of the region it is legally stated that reserves have to be kept by the central bank and/or the currency-issuing authority in the form of foreign assets and that the percentage of cash reserves (either cash in hand and/or the balance with the central bank) which must be kept by commercial banks is fixed. In Hong Kong, Malaya and British Borneo, 100 per cent reserves have to be kept against currency issue. In Burma the fiduciary issue is limited to 100 million rupees and for every new issue of currency by the Currency Board, full backing has to be maintained. The Union Bank of Burma does not need to keep any particular legal reserve against its deposit liabilities, though in practice it has kept very high foreign-asset reserves, amounting to almost 100 per cent. In these countries, the commercial banks do not have to keep any reserves. The central banks in Ceylon and the Philippines do not have to keep any particular reserves for either currency or deposits but the commercial banks are required to do so. In Ceylon the Central Bank laid it down early in 1950 that commercial banks should keep 10 per cent of their demand deposits and 5 per cent of their time and savings deposits as reserves. In December 1950, the reserve requirement for demand deposits was increased to 14 per cent, with effect from 5 January 1951. In the Philippines the commercial banks have to keep 18 per cent reserves against peso demand deposits and 5 per cent against peso time deposits. Of the required reserves against peso demand deposits 5/18 may be in the form of national government securities or securities guaranteed by the government.

In India, the Reserve Bank has to keep a 40 per cent reserve against note issue, of which not less than Rs. 400 million has to be kept in gold. The State Bank of Pakistan has to keep a 30 per cent reserve against notes issued, in the form of gold coin, gold bullion, silver bullion, sterling securities or other approved foreign exchange. In both countries the scheduled banks have to keep balances with the central banks to the extent of 5 per cent of their demand deposits and 2 per cent of their time deposits. In practice, the scheduled banks in both countries keep very much higher reserves. In Indonesia, the Government does not need to keep any reserve against notes issued by it, but the Java Bank has to keep a 40 per cent reserve against bank notes and other demand liabilities in the form of gold coins or bullion. The commercial banks do not have to keep any particular reserves with the Java Bank, although in fact they do keep large balances. In Indochina also the Bank of Indochina, which was the currency-issuing agency and which is continuing to issue currency during the transition period prior to the establishment of a new "Currency Issuing Institute of Indochina", does not seem to have any specific legal reserves laid down, although, owing to its obligation to redeem Indochinese piastres in exchange for francs, it probably keeps part of its reserve in foreign exchange. The commercial banks also do not legally need to keep any reserves against their deposit liabilities. According to the Convention o 10 July 1947, by which this new currency-issuing authority was to be se up in the near future, a 100 per cent reserve in foreign exchange i unnecessary. In Thailand the central bank took over the note circulatio from the government after it was created during the war, and the reserve it has to keep against the note issue can be modified by the Minister o Finance. Although it keeps large foreign reserves, at present the onl limitation is that the value of the securities of more than one-year maturit should not constitute more than 15 per cent of the currency reserves. Th commercial banks have to keep a cash reserve of 10 per cent against sigh deposits, one-half of which has to be kept with the Bank of Thailan They also have to maintain 2 per cent of total time liabilities with th Bank of Thailand. In practice, however, they have been keeping rathe high reserves. In the mainland of China, the People's Bank of China doe not have to keep any reserves against either its deposit liabilities o currency issued. Commercial banks in Shanghai, however, have to kee between 7 and 15 per cent of their current deposits and between 3 and per cent of their fixed deposits with the local branch of the People's Ban Every bank in addition has to have cash in hand amounting to 10 per ce of current deposits and 5 per cent of fixed deposits. In Taiwan the curren reform of 1949 limited the issue to NTY 200 million. Some gold was give to the Bank of Taiwan as a reserve by the Government. Authority to iss an additional NTY 50 million was given in July 1950.

In Japan, although no reserve requirements are laid down on curren issued by the Bank of Japan, the legal limit of Y.3,300 million whi existed at the end of 1948 was increased to Y.3,500 million at the end March 1949. The commercial banks do not need to keep any particul reserves.

From the above it will be noted that in different countries differe reserves are laid down for currency issues and also for commercial ban and further that the actual reserves are much above the legal requiremen

Inasmuch as central banks, except in the case of the Java Bank, do not need to keep legal reserves against their deposit liabilities, there is no rigid limit to credit expansion.

During the last few years the supply of money in relation to foreign exchange has changed at varying rates in different countries. The ratio has been 1.1 to 1.4 in Burma, 1.5 to 2.0 in Ceylon, 2.2 to 2.4 in India, 1.5 in Malaya, 1.0 to 1.8 in Pakistan, 1.8 to 2.4 in the Philippines, and 1.2 to 1.5 in Thailand. In Indonesia because of the issue of notes by the government the expansion has been 5.3 to 6.3 times.

Of the two constituents of money supply, namely currency in circulation and money deposit, in all countries of Asia and the Far East except Ceylon and Japan, deposit money is not as important as currency in circulation. In Ceylon, even in 1938 deposit money accounted for 74 per cent of money supply and in post-war years increased from 62 per cent in 1946 to 70 per cent in 1950. In Japan in 1938 deposit money was 63 per cent of total money supply, which declined during the war years but increased in post-war years until it reached 59 per cent in 1950. In Burma, India, Malaya, and Pakistan, deposit money accounts for between 30 and 40 per cent; in Indonesia, the Philippines and Thailand, it varies between 40 and 50 per cent; in Indochina it is lowest, with 26 per cent. In most countries the general trend has been that, although deposit money is still not as important as currency in circulation, it is increasing in importance in comparison with pre-war years (see table 139).

Sources of Credit and Changes in Their Relative Importance

Sources of credit may be divided into those originating from the unorganized sector and those from the organized money market, and within each category into short and long-term credit. There is reason to believe that credit supplied by the unorganized sector is more important than that of the organized sector, especially in the rural areas and for financing small business units, but precise information is not available. Therefore this study is limited to the organized sector only.

Commercial banks

Commercial banks in the region supply their short-term credit mainly in the form of advances, and bills discounted, owing to the slow development of a bill market, constitute a very small proportion. Available information indicates that, except for Ceylon and Pakistan, bills in post-war years have become even less important as a medium for giving short-term credit. In Burma, bills discounted declined from 5.5 per cent of short-term credit in 1938 to 1.6 per cent in 1948. In India, they declined from 4.3 per cent in 1938 to 3.0 per cent in 1950, and in Thailand from 8.6 per cent in 1938 to 3.7 per cent in 1949. In Pakistan, they increased from 2.2 per cent in 1948 to 6.0 per cent in 1950. The most spectacular change occurred

Table 139. Money Supply and Bank Clearings[a]

	1938[b]	1946	1947	1948	1949	1950
Burma						
Total money supply (in millions)[c]	248.1	..	..	516.7[d]	626.0	607.5
Percentage of deposit money to total money supply	26	..	..	31[d]	32	34
Ratio of annual bank clearings to deposit money	13.1	..	..	11.6	7.6	8.1
Ceylon						
Total money supply (in millions)[e]	168.2[d]	754	754	687	721	872
Percentage of deposit money to total money supply[e]	74[d]	62	69	68	69	70
Ratio of annual bank clearings to deposit money	9.6	7.8	8.0	10.1	10.1	10.8
India						
Total money supply (in millions)	4,400[d]	21,300[f]	21,100	21,600	19,400	19,350
Percentage of deposit money to total money supply	31[d]	38[f]	37	37	36	35
Ratio of annual bank clearings to deposit money	1.1	8.0	7.2	7.5	8.1	8.2
Indochina						
Total money supply (in millions)[g]	..	..	4,018	4,752	5,229	..
Percentage of deposit money to total money supply[h]	..	..	27	26	26	..
Indonesia						
Total money supply (in millions)	420[d]	..	2,608[d]	2,868	3,339	3,874
Percentage of deposit money to total money supply	43[d]	..	47[d]	45	45	42
Japan						
Total money supply (in millions)	5,010[d]	167,400[d]	355,800[d]	668,800[d]	658,200	767,000
Percentage of deposit money to total money supply	63[d]	46[d]	41[d]	49[d]	55	59
Ratio of annual bank clearings to deposit money	29.0	3.2	5.5	8.6	18.1	21.
Malaya						
Total money supply (in millions)[g][d]	..	..	..	581.8	597.1	..
Percentage of deposit money to total money supply	..	..	..	31	33	..

Table 139 (continued)

	1938[b]	1946	1947	1948	1949	1950
Pakistan						
Total money supply (in millions)	..	..	..	2,698[d]	2,739	2,849
Percentage of deposit money to total money supply	..	..	..	37[d]	36	37
Ratio of annual bank clearings to deposit money	..	..	..	3.6	3.9	4.1
Philippines						
Total money supply (in millions)	214[d]	892	911	1,093	1,098	1,146
Percentage of deposit money to total money supply	34[d]	38	45	50	40	48
Ratio of annual bank clearings to deposit money[i]	28.7	14.7	13.7	16.8	15.9	14.7
Thailand						
Total money supply (in millions)[j]	258.3[d]	3,200[d]	3,056[e]	3,251	3,525	3,847
Percentage of deposit money to total money supply	26[d]	36[d]	51[e]	45	41	36
Ratio of annual bank clearings to deposit money	0.1	2.8[k]	6.2	9.2	13.1	18.0

Sources: The International Monetary Fund's *International Financial Statistics* have een used wherever possible.

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Notes: Figures are averages for end of month.

[a] Money supply is deposit money (i.e. deposits subject to checking accounts) plus otal currency issue less amounts held by central banks, commercial banks and government treasuries.

[b] Figures for Japan are for 1936.

[c] Demand deposits of commercial banks plus notes in circulation.

[d] End of year.

[e] Average of end of quarters.

[f] Six-months average (July-December).

[g] Currency in circulation plus total deposits.

[h] Percentage of total deposits to money supply.

[i] Ratio of total bank debits to checking account to deposit money.

[j] Notes in circulation plus deposit money.

[k] Bank clearings are estimated from six-months total.

Table 140. Credit Expansion by Central Banks and Commercial Banks

	Central banks		*Commercial banks*	
	Total deposits and currency in circulation (in millions) *(1)*	*Foreign assets*[a] *as per cent of column (1)* *(2)*	*Total deposits (in millions)* *(3)*	*Cash and balance with central banks as per cent of column (3)* *(4)*
Burma (Rs.)				
1938	..	..	108	2.8
1948	108[b] [c]	61.4	199[d]	36.2
1949	149[b]	115.5	233.3	46.7
1950	225.7[b]	95.6	246.0	28.0
Ceylon[e] (Rs.)				
1939	..	..	162.9	5.7
1946	..	..	531.6	20.7
1947	..	..	582.3	21.7
1948	..	..	553.1	28.3
1949	..	..	565.8	29.0
1950	533.2[f]	101.6[f]	677.8	22.5
India (Rs.)				
1938[g]	2,140	54.2	2,270	9.8
1946	18,120[h]	94.5	10,420[i]	12.6[i]
1947	17,600	91.4	10,080	13.3
1948	16,780	81.9	9,900	12.4
1949	14,390	62.2	8,850	11.7
1950	14,350	60.6	8,710	11.3
Indonesia[j] (R.)				
1938	268.3	44.1	..	..
1948	1,420.6	35.3	640.6	3.6[k]
1949	1,500.8	35.4	630.4	5.9[k]
1950	2,721.9	26.6	..	..
Japan (yen)				
1936[l]	2,200	..	14,000	9.3
1946	78,000	1.3	138,800	10.6
1947	164,100	1.2	168,600	14.1
1948	280,700	0.4	326,400	18.4
1949	370,000	0.3	613,900	18.2
1950	388,200	0.1	893,400	17.3
Pakistan (Rs.)				
1948[m]	2,372.8	93.2	1,091.3	20.1
1949	2,713.9	86.2	1,071.6	19.0
1950	2,539.2	63.6	1,179.8	12.6
Philippines (P.)				
1940[l]	..	..	225.1[n]	22.7
1946	..	..	579.0	33
1947[l]	..	..	690.0	32.8
1948[l]	..	..	870.0	41.6
1949	777	77.4	817.9	25.6
1950	807.1	59.8	827.3	25.8
Thailand (Baht)				
1938			53[o]	24.5
1946	2,720[l]	57.7[l]	590[o]	55.9
1947	2,741[l]	56.0[l]	771[o]	42.2
1948	3,287[l]	66.3[l]	786[o]	47.0
1949	3,865[l]	71.4[l]	829[o]	39.8
1950	4,811[l]	65.9[l]	867[o]	31.6

Source: See note to table 139. Additional sources are:

Burma. Union Bank of Burma, *Weekly Statement of Position of the Union Ba* *of Burma.*

in Ceylon, where bills discounted increased from 6.5 per cent of short-term credit in 1939 to 39.7 per cent in 1950.

Foreign banks occupy a very important position in the banking system of the region, both by their numbers and by the size of their deposits and the volume of credit given, though their importance has declined in the post-war years. They are chiefly British in countries such as Burma, Ceylon, Hong Kong, India, Malaya and British Borneo, and Pakistan, i.e., in countries which are or were part of the British Commonwealth. French banks dominate in Indochina, Dutch in Indonesia and American in the Philippines. In addition to these foreign banks there were Indian and Chinese banks, mostly in countries of south and southeast Asia. The importance of foreign banks varies between different countries. The countries where foreign banks play a very important part are Burma, Ceylon, Hong Kong, Indochina, Indonesia and the Philippines. In Burma, out of twenty banking offices in operation, only one is Burmese-owned. In Ceylon, out of ten banks six are British-owned, three are Indian and only one is Ceylonese. In Indochina there are three French, two British, three Chinese and one Vietnamese bank. In Indonesia there were four Dutch banks (counting the Bank of Java), two English and two Chinese. There were two government and two commercial private banks established in the Republic of Indonesia. In the Philippines in pre-war years there were fourteen commercial banks, of which six were branches of foreign banks and four of the remaining eight were owned in whole or in part by non-Philippine residents. In post-war as in pre-war years foreign banks occupy an important position among the twelve existing commercial banks.

Foreign banks occupy a less important position in China, India, Malaya, Pakistan, Thailand and Japan. In India, the deposits of foreign-exchange banks in 1949 constituted 18 per cent of the total deposits of all commercial banks, while advances amounted to 25 per cent. In Thailand,

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Ceylon. Ceylon Government Gazette.
Indonesia. Report of the President of Java Bank.
Philippines. The American Chamber of Commerce Journal.
Notes: Figures are averages for end of month.

[a] Foreign assets include foreign securities, gold coin and bullion, plus cash balances held abroad. In the case of India, Pakistan and Thailand the foreign assets of both the issue and banking departments have been combined.

[b] Total deposit only.

[c] Average of nine months (April-December).

[d] Average of eleven months (February-December).

[e] Figures are averages at end of quarters except where indicated.

[f] Average of end of last two quarters.

[g] 1938/39.

[h] Average of nine months.

[i] Average of eight months.

[j] Figures are end of March for Java Bank and end of December for commercial banks.

[k] Cash only.

[l] End of period.

[m] Average of six months (July-December).

[n] June figures.

[o] Including balances due to other banks but excluding foreign currency deposits.

deposits held by foreign banks declined from 58 per cent of total deposits at the end of 1938 to 33 per cent in June 1949. In the mainland of China foreign banks were once important, but not so now. Of the fourteen foreign banks operating in Shanghai, three were closed after the city was taken over by the Peking authorities and the business of the remaining eleven is now confined to buying and selling foreign exchange.

Another feature of the banking structure within the countries of Asia and the Far East except Japan is the concentration of the available banking offices within a few cities or areas. In Burma, out of twenty-one banking offices, eighteen are located in Rangoon. In Ceylon ten out of twenty-six banking offices are located in Colombo. In India, 54 per cent of the total deposits were obtained from offices located in the two states of Bombay and West Bengal. Of the total advances 62 per cent were made within these two states and if the States of Madras and Uttar Pradesh were included, these four States would account for nearly 80 per cent of the total advances made by the scheduled banks in India. In Indochina, the banking offices were located mainly in the more economically developed areas of Saigon, Hanoi and Haiphong. In Indonesia, Java and Madura had twenty-eight banking offices out of a total of fifty-seven. In Thailand, in 1949, out of fifty-two banking offices twenty-eight were located in Bangkok.

Commercial banks provide mainly short-term credit, but they also give long-term credit. In Burma, India, Malaya, Pakistan, the Philippines, Thailand and Japan credit supplied by the commercial banks in 1949 or 1950 constitute between 70 and 95 per cent of the total short-term credit supplied by the various financial institutions, including the government. In Ceylon and Indonesia, the commercial banks supplied in 1949 between 25 and 30 per cent of total short-term credit.

In Ceylon, India and Japan, the commercial banks supplied in 1949 or 1950 substantial amounts of long-term credit, amounting to between 60 and 79 per cent of the total. In Pakistan they supplied 53 per cent during 1950. In the Philippines they supplied only 20 per cent (see table 3).

In Burma, Ceylon and the Philippines, changes in the structure of commercial banking may be expected to occur in the near future, inasmuch as central banks have been created which should promote the development of indigenous banking facilities. In India, during the war and in the immediate post-war years, there was a banking boom. The number of scheduled bank offices increased from 1,128 in 1938 to 2,475 in 1944, and rose to a peak of 3,541 in 1947. During 1948, 1949 and 1950 some banking offices closed, owing particularly to the high cost of running banks resulting from the award of the Industrial Tribunal (Bank) in 1950, which fixed the scale of salaries and allowances of bank employees at a higher level. It was this expansion of banking offices which made the government pass the Banking Companies (Restriction of Branches) Act in 1946. By the end of 1950, however, it may be said that banking in India had been stabilized. In Pakistan, there was a great change in the organizational structure of banking. Immediately after partition, of the 314 scheduled banking offices functioning in Pakistan, only 62 remained.

The number of banks and offices, however, increased gradually and by June 1949 there were 39 scheduled banks with 218 banking offices in Pakistan. As a result of the withdrawal of Indian banks, banks were created in Pakistan. The National Bank of Pakistan was established in 1949 with an authorized capital of Rs. 60 million, 25 per cent of which was subscribed by the Government. Although its immediate purpose was confined to the financing of the jute trade, following the difficulties arising from the exchange deadlock, it is expected that it will occupy the same position in Pakistan as the Imperial Bank of India does in India. In Thailand, domestic banks are increasing in importance.

On the China mainland there were in pre-war years four types of banks, namely government banks, semi-government banks, private modern banks and native banks. In addition to the disproportionate concentration of large banks, especially in the Shanghai area, no close relation existed between these banks and industry during the inflation period, and the profits of these banks were derived not so much from genuine financing of industry and trade as from hoarding of commodities and speculation in real estate, gold and foreign currency. During the latter half of 1949 and in 1950 drastic changes in the structure of the banking system took place, although the concentration of banking in certain areas continued. Firstly, industry and trade came to use banks to a larger extent than before, and profits of commercial banks were now derived from genuine lending operations.

Another significant change was the tendency among the larger modern Chinese banks to become semi-governmental institutions, following the re-organization of banks carried out by the government and the consequent liquidation, resulting in business and banking failures.[2] Closely connected with this change was the adoption by private banks of the practice of forming themselves into syndicates or joint operating groups.[3]

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[2] In Shanghai alone, eighty private banks, or 50 per cent of the existing number, were closed. As a result, the public came to place greater faith in government and semi-government banks, deposits in which increased at the expense of private banks. This development, coupled with the popularity enjoyed by semi-government banks inasmuch as in addition to their efficient character, they gave privacy to depositors, precluded the possibility of such banks being eliminated. With these advantages it was natural for private banks to be desirous of transforming themselves into semi-governmental institutions.

[3] It was felt that by collective effort these smaller banks could win public confidence and meet the severe competition under the new economic conditions. In Shanghai alone, four joint operating groups were formed during 1950, the first group being inaugurated on 1 July. Various conditions were usually laid down for eligibility for membership, such as adequate net working capital in cash or liquid assets, satisfactory labour relations, full subscription to victory bonds allocated to it, etc. The functions of these groups included: (1) assisting members to co-ordinate their business, (2) representing members in negotiating contracts with government banks, and (3) aiding members to obtain necessary working capital.

Table 141. Credit in the Organized Sector Classified by Nature and Source

	Total credit (in millions) (1)	Per-cent of short-term credit to total credit (2)	As percentage of total short-term credit					As percentage of total long-term credit				
			Commercial banks (3)	Insurance companies[a] (4)	Co-operative societies[b] (5)	Government[c] (6)	Others (7)	Commercial banks (8)	Insurance companies[a] (9)	Co-operative societies[b] (10)	Government[c] (11)	Others (12)
Burma (Rs)												
1938[d]	76	76.2	80.4	2.2	16.2	1.2[e]	..	..	..	..	..	..
1946	223	83.7	..	0.7	..	99.3[e]	..	..	..	..	100.0[e]	..
1947	337	75.2	26.5	0.4	3.2	69.9[e]	..	..	1.8	..	98.2[e]	..
1948	202	68.6	48.3	0.7	6.5	44.5[f]	..	..	2.2	..	97.8[f]	..
1949	135[g]	70.2[g]	63.1	1.0[g]	10.2	25.6[f]	..	..	3.2[g]	..	96.8[f]	..
1950	159[g]	84.9[g]	72.0	0.7[g]	7.7[g]	19.6[g]	..	..	5.0[g]	..	95.0[h]	..
Ceylon (Rs)												
1948	716	64.8	27.4	2.0	1.1	66.5[e]	3.0	76.6	3.7	0.5	1.7[e]	17.6
1949	859	66.0	24.2	1.8[g]	0.9	70.5[g] [e]	2.5	78.9	3.6[g]	0.4	1.2[g] [e]	15.8
India (Rs)												
1946	8,000	57.0	85.9	1.9	9.4	2.8[e]	..	..	..	..	..	..
1947	7,000	70.5	84.2	2.0	10.0	3.9[e]	..	..	..	..	..	..
1948	16,000[g]	34.1[g]	81.1	2.1[g]	11.4	5.4[e]	..	45.0	15.5[g]	..	39.6[e]	..
1949	13,000[g]	45.7[g]	76.0	2.0[g]	12.1[g]	9.9[f]	..	53.6	24.4[g]	..	22.1[f]	..
1950	12,000[g]	47.6[g]	77.9	2.3[g]	14.3[g]	5.0[h]	0.5	60.1	29.0[g]	..	9.8[h]	1.1
Indonesia (R)												
1948	1,542	85.0	41.7	..	..	..	58.3	100	..	..	..	..
1949	2,362	83.4	29.6	..	..	..	70.4	100	..	..	..	..
Japan (yen)												
1936[i]	24,000	48.4	86.4	9.5	1.6	..	2.5	69.0	29.6	0.6	..	0.9
1946	218,000	59.4	92.6	1.8	0.3	..	5.2	66.0	12.4	2.5	..	19.1
1947	302,000	67.2	68.0	1.3	0.5	..	30.1	70.0	11.0	2.2	..	16.8
1948	485,000	74.9	68.3	1.3	1.0	..	29.5	71.5	11.8	1.2	..	15.5
1949	981,000	75.9	66.7	0.8	5.1	..	27.4	49.9	6.8	2.9	..	40.4

Malaya ($M)											
1948	88[j]	64.2	92.1	..	7.9	..	..	100.0	..	..	..	..
1949	144[j]	67.6	94.2	..	5.8	..	..	100.0	..	..	..	..
Pakistan (Rs)											
1948	611	78.5	67.2	..	2.5	30.2[f]	..	..	..	..	..	..
1949	1,282[g]	49.5[g]	67.5	..	2.5	30.0[f]	..	..	..	..	..	..
1950	1,347[g]	52.9[g]	78.9	..	2.8[g]	17.3[f]	1.0	52.8	..	..	47.2[f]	..
Philippines (P.)											
1949	912	64.8	95.2	2.8	0.6	1.3[e]	0.2	26.2	4.8	..	69.0[e]	..
1950	941	63.9	94.7	2.7	0.6	1.4[h]	0.5	20.3	4.6	..	75.1[h]	..
Thailand (baht)											
1947	531	51.7	91.1	6.7	2.2	..	..	38.6	0.5	13.2	47.8[f]	..

Source: See notes to table 139. Additional sources are:

Burma. Annual Report on Co-operative Societies; Government of the Union of Burma: *Budget Statements; The Burma Gazette.*

Ceylon. Statistical Abstract of Ceylon. Administration Report on the Working of Co-operative Societies, Part IV.

India. The Indian Insurance Year Book 1948. Statistical Statements relating to the Co-operative Movement in India. Reserve Bank of India: *Annual Report on Currency and Finance.*

Indonesia. Information supplied by the Java Bank.

Malaya. Information supplied by the Government of Malaya.

Pakistan. Central Government of Pakistan, *Budget Statements.*

Philippines. Republic of the Philippines, *Budget Statements.*

Notes: Figures for commercial banks are averages at end of month. For insurance companies, co-operative societies and governments they generally refer to the end of their financial years.

[a] Statistics cover all forms of insurance companies for Japan, the Philippines and Thailand and only life-insurance companies for Burma and Ceylon. In India they cover Indian and non-Indian life-insurance companies plus provident companies.

[b] Statistics of co-operative societies include mainly those of primary societies, both agricultural and non-agricultural, but do not include those of central and provincial banks.

[c] Short-term credit by Government is the net lending made by Government during its fiscal year, i.e., its disbursements less receipts. It covers short-term advances to agriculturists and various private and government-owned enterprises. The long-term credit given by the Government consists of its investments in semi-government and also in government enterprises and is the amount outstanding at the end of the year.

[d] 1939.

[e] Actual figures.

[f] Revised estimate.

[g] Provisional.

[h] Budget estimate.

[i] End of year.

[j] Short-term credit of commercial banks and co-operative societies; long-term credit of commercial banks only.

The formation of such working groups brought about satisfactory results to members of the syndicate. Thus the total deposits of the twelve member banks of the first joint operating group in Shanghai increased from PBN 50.2 billion in June to PBN 80.6 billion in August, i.e., an increase of about 61 per cent. Loans outstanding also increased from PBN 38.8 billion to PBN 61.4 billion, that is by about 51 per cent during the same period, when wholesale prices increased by about 12 per cent.

In Japan, the commercial banks suffered losses at the end of the war owing to loss of their overseas assets amounting to Y. 11.1 billion. As it was impossible to write off such losses, emergency measures for the accounting of financial institutions were promulgated in 1946 by which bank accounts were divided into old and new. Capital reserves and large deposit items were frozen. Furthermore, reserves were wiped out, capital reduced by 90 per cent and 70 per cent of large deposits cancelled. Another big change in the structure of banking in Japan was that the bank mergers which occurred in the pre-war and war years were broken up by SCAP in accordance with the policy of decentralization of economic power.

Governments

Governments of the region, in addition to ordinary public-finance functions, perform some banking functions. In some countries lending is done directly through government offices, while in others it is done by governmental or semi-governmental institutions. Besides lending to the private sector governments also lend to their own commercial enterprises and make direct investments in various fields. Government participation in the supply of credit has generally increased in post-war years, owing to the grea need for reconstruction and rehabilitation. The Government of Ceylon supplied in 1948 and 1949 66 and 71 per cent of short-term credit. In Burma and Pakistan during 1949 and 1950, government supplied between 18 and 30 per cent of short-term credit. In Burma, in pre-war years th Government supplied only 1.2 per cent of short-term credit, while in 194 it supplied as much as 70 per cent. In India the Government has supplied 3 to 10 per cent of total short-term credit during post-war years. The short term credit supplied by governments involves loans to cultivators, govern ment servants and co-operative societies and temporary loans to stat trading enterprises.

In 1950 the Governments of Burma and the Philippines supplied respec tively 95 and 75 per cent of total long-term credit, while in Thailand th Government supplied about 48 per cent and in Ceylon only about 1 pe cent (see table 141). Long-term credit given by the government include investment in railways, posts and telegraphs, and civil works, long-term loans given to provincial governments and local bodies for developmen purposes, and also investment in state enterprises. It must be emphasize that the amount of credit given by the governments has varied in differen years.

Co-operative banks

One feature of the co-operative movement in the region is that the credit aspects are generally more important than others, although in a few countries, with the rise of consumers' co-operatives to deal with post-war shortages and rationing, co-operative credit has declined somewhat in importance. In Burma, in 1938, out of a total of 2,136 societies, 1,702 were credit societies. In post-war years, however, credit societies were not as important as before, and in 1949, out of a total of 10,464 societies, consumers' co-operatives accounted for 7,096. In Ceylon also, in pre-war years co-operative credit was more important, but at present, out of a total of 6,000 societies, only 2,000 are credit societies. In India, during 1947/48, credit societies constituted 74 per cent of the total number of societies, with about 50 per cent of the entire membership. In Indonesia during 1940 credit societies numbered 478 out of a total of 624. In Malaya, even in pre-war years there existed only credit societies, though in post-war years a few other types of societies have been established. In Thailand, credit societies in 1948 were 96 per cent of a total number of 6,463, while their membership constituted 58 per cent of the total.

The structure of the movement has not changed materially in the post-war years. There are either three layers, consisting of one or more apex institutions, several intermediary banks and primary societies, as in India and Pakistan; two layers without the apex or the middle layer, as in Burma, Indochina, Indonesia and Thailand, or simply the primary societies, as in Malaya.

The working capital of the apex institutions consists of their own share capital, plus loans and deposits received from societies, intermediary banks, the government, individuals and others. Their main function is to obtain funds to finance the intermediary banks and in some cases the primary societies. The Ceylon Co-operative Federal Bank lends at 3 per cent to the intermediary banks, while in India the provincial banks' lending rate varies between 2 and 8 per cent. The intermediary banks have as members both primary societies and individuals. They borrow money from the apex institutions and lend to primary societies. In Ceylon the intermediary banks lend to primary societies at 6 per cent and in India at between 2 and 9 per cent. The primary societies obtain credit from intermediary banks and re-lend to their members at between 7 and 15 per cent in Burma, 9 per cent in Ceylon, between 6¼ and 12½ per cent in India and between 8 and 10 per cent in Thailand.

In spite of the great effort made by the governments of the region to promote the co-operative movement, with special reference to the credit aspects, co-operative credit has not made much progress in many countries of the region. In both pre-war and post-war years in Ceylon, Pakistan, the Philippines and Thailand, co-operative societies supplied no more than 3 per cent of total short-term credit. In Malaya during 1948 and 1949, co-operative societies supplied between 6 and 8 per cent of short-term credit, while in Japan, although in pre-war years the percentage was only 1.6, in 1950 it was around 5 per cent. The only exceptions to such low percentages were in Burma and India, where in 1938 co-operative credit supplied 16 per cent and 9 per cent respectively of short-term credit. During 1950 co-operative societies in Burma supplied 7.7 per cent and in India 14.3 per cent of total short-term credit (see table 141). These high figures, however, do not accurately represent the position, as loans from money-lenders were not included in the total short-term credit supplied. In India the movement has touched only 16 per cent of the population, and in Malaya only 2 per cent. On the mainland of China, good progress was made in 1949 and 1950 not so much in co-operative credit as in marketing, supply and consumer co-operatives. They are now reported to have 20 million members in 38,000 co-operative organizations.

Insurance companies

Insurance companies as a source of credit in the region have been very insignificant, especially in the supply of short-term credit. In Burma, Ceylon, India and the Philippines, at no time did the short-term credit given by insurance companies reach more than 3 per cent of total short-term credit. In Thailand, insurance companies accounted in 1947 for 6.7 per cent of short-term credit, while in Japan, although in pre-war years insurance accounted for 9.5 per cent, in 1950 it was hardly one per cent of short-term credit. In long-term finance insurance companies have performed a slightly more important role. Even so, in Burma, Ceylon, the Philippines and Thailand the investment of insurance companies has never been more than 5 per cent of total long-term credit. In India, insurance companies supplied during 1948, 1949 and 1950 between 16 and 29 per cent of long-term credit. In Japan, although in pre-war years insurance firms supplied 30 per cent of total long-term credit, in 1950 they supplied only about 9 per cent (see table 141).

The high percentage of long-term credit supplied by insurance companies in India is due mainly to the statutory provision that they should hold at least 55 per cent of their assets covering life-insurance policies within India in the form of securities. In Pakistan similar provisions are being laid down. In the Philippines legislation was adopted in June 1950 requiring foreign companies to keep at least 10 per cent of their legal reserves within the country and providing that this should be increased to 20 per cent at the end of 1951 and to 30 per cent after 1952. The reserve requirements were also increased from P.100,000 to P.250,000.

Other sources

Of the other sources of credit, money-lenders are very important. However, no statistics are available. From available information, other source of credit except money-lenders have not been of any consequence excep in Ceylon, Indonesia and Japan. In Ceylon, the Agricultural and Industria Credit Corporation, the State Mortgage Bank, the Local Loans and Development Fund, the Loans Board, and the Housing Loans Board supplie during 1948 and 1949 about 3 per cent of total short-term credit and 16 to 18 per cent of total long-term credit. In India the Industrial Finance Corporation of India, which has an authorized capital of Rs. 100 million, Rs. 10 million each being subscribed by the Government and the Reserve Bank of India, provided a negligible amount of credit. The same is true of the Pakistan Industrial Finance Corporation. In Indonesia, other institutions, including the State pawnshops, supplied from 58 to 70 per cent of short-term credit. In Japan also, other institutions have supplied between 20 and 30 per cent of short-term credit and between 20 and 40 per cent of long-term credit since 1947 (see table 141). These institutions included the Central Bank for Commerce and Industry, as well as the United States Aid Counterpart Fund. The latter was established in 1949, and into this account the yen equivalent of the dollar cost of United States aid furnished to Japan had to be deposited by the Japanese Government. Such funds deposited were re-lent by the Counterpart Fund to various industries, especially for long-term finance within Japan.

POST-WAR MONETARY POLICY AND MEASURES

The objectives of post-war monetary policy in some countries of the region can be gauged by the nature of their currency and credit systems and the actions of the governments and/or the central banks, while in others they are more explicitly stated either in acts creating central banks or in official policy statements.

The monetary policy in Ceylon and the Philippines, as stated in the acts establishing the central banks, has as its objectives financing seasonal needs of production and trade, maintaining monetary stability, both internal and external, and promoting economic development. In Burma, Indochina, Indonesia, Pakistan and Thailand it is directed mainly towards maintaining monetary stability both internal and external. In India, the policy has been to see that the currency and credit systems satisfy the demands for production and trade, both for seasonal needs and for development purposes. Towards this end the Reserve Bank of India has been following a cheap money policy but at the same time has tried to prevent inflation. In Japan, since the recommendation of the Dodge Mission from the United States in early 1949, the policy has been one of disinflation, which owing to the success of the budgetary policies was at one time changed to a policy of mitigating deflation. As a consequence of the Korean war and changes in basic economic conditions, the country's monetary policy has again been changed to one of checking inflation. In Hong Kong, Malaya and British Borneo, all of which are on an automatic foreign-exchange standard, the monetary policy may be said to be one of stabilizing the foreign-exchange value of their currencies and, as such, may be said to have very limited objectives.

As a means of maintaining the external stability of their currencies, practically all countries of the region have instituted exchange control.

By trade and exchange controls they have limited the demand for foreign exchange for all items which enter into the balance of payments, while by passing regulations that all or most foreign-exchange earnings must be handed over to one central authority they have regulated the supply. Some countries, like Ceylon, China, India, Pakistan and Thailand, have also joined the International Monetary Fund with the same end in view. In addition to these, other measures have been taken in post-war years to attain the objectives of monetary policy as stated above.

In *Ceylon* in order to stabilize domestic monetary values the central bank advised the Government to reduce its expenditure and increase its revenue. It also laid down, immediately upon its coming into existence in August 1950, reserve requirements for all commercial banks of 10 per cent of commercial banks' demand deposits, and 5 per cent of their time and savings deposits. In December it increased the reserve requirements on demand deposits to 14 per cent, with effect from 5 January 1951, thus reducing excess reserves of commercial banks from Rs. 84.7 million to Rs. 57.4 million. It also notified commercial banks to supply credit only for the real needs of commerce and industry and not for speculation, and to give advances to commercial banks against government securities at 2½ per cent *per annum,* with effect from 28 August 1950.

The Reserve Bank of *India* has been engaged in open market operations, especially during the busy period each year, in order to satisfy seasonal demands for funds. As a result, while during 1935/36 the call-money rate in Bombay fluctuated between ¼ per cent and 3½ per cent, during 1949/50 it fluctuated only between ½ per cent and 1¼ per cent. The Bank has also floated government securities and treasury bills at lower rates of interest in post-war years than in pre-war years. In 1938/39 treasury bills were sold at a discount of 1.87 per cent *per annum,* while in 1949/50 they were sold at a discount of 0.51 per cent. The yield on government securities with a maturity date of less than fifteen years is lower than the nominal rate of interest. For example, the yield on a 4 per cent security redeemable in 1960-1970 is 2.9 per cent. In September 1949 the Reserve Bank devalued its rupee in relation to the dollar by 30 per cent, so that the internal price level within the country might be brought in line with the price level existing in the United States.

On the mainland of *China,* branches of the People's Bank were opened in order to further the free flow of domestic funds. By 12 December 1950 a total of 1,151 cities were linked with Shanghai through the domestic remittance service of the People's Bank. The People's Government also encouraged private banks to resume operation, under the reorganization limitations laid down at the end of 1949, and pointed out to the private banks that although 90 per cent of the deposits of the People's Bank during the first half of 1950 were from governmental organizations and public enterprises, the loans extended by the People's Bank to private enterprises were three times the deposits received from private sources. Furthermore, the People's Bank accepted re-deposits from private banks when they had difficulty in lending their surplus cash and gave them short-term advances when they had insufficient funds on hand. The People's Bank also lends directly to factories and business enterprises not only to relieve temporary financial difficulties, but also to guide them in their reorganization. From May to July 1950 such loans to Shanghai private industrial and commercial enterprises amounted to more than PBN 76,700 million.

With a view to mitigating the effects of inflation, the People's Bank during 1949 instituted the "parity deposit system".[4] On 22 May 1950 the currency deposit and the parity deposit were combined, so that a depositor can upon maturity of the deposit withdraw his principal and interest in terms either of People's Bank notes or of parity deposit units, whichever is higher. The People's Bank instituted credit control over commercial banks whereby they had to keep balances with the People's Bank amounting to between 7 and 15 per cent of current deposits and between 3 and 8 per cent of fixed deposits, plus a cash balance of 10 per cent on current deposits and 5 per cent on fixed deposits. The People's Bank on 5 November 1950 froze all sums deposited by publicly operated units and from 6 November 1950 instituted the check certification procedure to screen all payments by public organizations. This greatly reduced the amount of funds going from the government into the market. Evidence that internal stabilization had been achieved by the efforts of the People's Bank appeared in that there was not much price increase and that monthly interest rates were lowered by the Interest Rate Board in Shanghai during April to 9.6 per cent on call loans and to 1.5 per cent on deposits, a reduction of 20 to 30 per cent. From April onwards interest rates began to be quoted on a monthly rather than a daily percentage basis, a phenomenon that was impossible under hyper-inflation.

In *Indonesia* by the monetary reform of March 1950, all currency notes (excepting the R. 2½ and smaller coins and notes and bank deposits over and above R.400) were reduced in value by 50 per cent. The other 50 per cent was taken by the Government as a compulsory loan in exchange for government bonds bearing 3 per cent interest to be redeemed in instalments within forty years. By this means almost 50 per cent of the money supply was immediately demonetized and a compulsory loan was used to bridge the budget deficit of the Government. It was also hoped in so doing to stabilize the internal value of the Indonesian rupiah.

With reference to the external value, not only was the Indonesian rupiah devalued in September 1949, along with the Dutch guilder, but when the monetary reform was instituted, the exchange-certificate system was also introduced. By this system exporters received 50 per cent of their export proceeds in Indonesian currency at the official rate of exchange and 50 per cent in the form of foreign-exchange certificates. These certificates could be used by the exporters either to import goods on their own account or to sell the exchange certificates to other importers who had to have such certificates before they were allowed to buy foreign exchange from the Government. Inasmuch as the Government fixed the price of these exchange certificates at 200 per cent of their face value, it meant a subsidy to the exporters but an extra levy on the importers. Thus Indonesia had a multiple exchange system, designed to bring the internal price level into line with the external price level through the establishment of more realistic exchange rates.

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[4] By this system deposits were calculated in terms of commodity units. Each commodity unit in Shanghai consists of 1.56 catties of medium grade rice, 1 foot of cotton fabrics, 1 ounce of peanut oil and 1 catty of coal briquettes.

The State Bank of *Pakistan* controls the banking system under the Banking Companies (Restriction of Branches) Act (1946) Amendment Ordinance, 1948, the Banking Companies (Control) Act, 1948, and the Banking Companies (Control) (Amendment) Act, 1950. Thus, during the year ending 30 June 1950, the State Bank of Pakistan granted licences for the opening of twenty-seven branches out of applications for the opening of forty-one branches. By not devaluing its rupee in September 1949 it also hoped that the price level of consumer goods within the country would be reduced inasmuch as imports would now be cheaper. This action was also designed to promote economic development through the import of cheap capital goods. The State Bank of Pakistan has made loans and advances to scheduled banks and co-operative banks against approved securities. Its supply of such credit increased from Rs. 11.6 million in 1949 to Rs. 37.2 million in 1950. By the State Bank of Pakistan (Amendment) Ordinance 1950, the State Bank of Pakistan has been given wider powers to undertake the additional creation of credit. In 1949 it required banks operating within Pakistan to keep within the country assets amounting to 75 per cent of the demand and time liabilities in Pakistan. In 1950, the percentage was increased to 85 per cent. Pakistan has thus ensured that a substantial portion of deposits received within Pakistan are used for loans and advances within the country and not for remittances abroad and for lending in foreign centres.

In the *Philippines*, in addition to the comprehensive system of exchange control introduced in December 1949 on the advice of the Philippine Central Bank, measures have been taken to maintain the external and internal stability of the Philippine peso. In November 1949, with a view to bringing about "selective credit control", the Central Bank required that a cash margin of 80 per cent should be given on all letters of credit covering the import of luxury and non-essential goods. The Central Bank has the power to vary the reserve requirements of the commercial banks between 5 and 25 per cent for peso time deposits and between 10 and 50 per cent for peso demand deposits. At present the Central Bank has fixed the reserve requirements at 18 per cent for peso demand deposits and 5 per cent for peso time deposits. The Central Bank, in order to relieve inflationary pressure, has issued a ruling limiting credit for instalment sales. In order to see that the needs of industry and trade are met, the Central Bank has power to re-discount or deal in commercial credit instruments with maturities not exceeding 180 days for trade up to 270 days for agricultural or industrial production. The Bank in 1949 gave a loan of P.84 million to the Philippine National Bank and in 1950 lent to government agencies to the full extent of the P.200 million permitted. In addition, it gave credit to private banks averaging P.14.4 million in 1949 and P.30.2 million in 1950.

In *Japan,* in order to stabilize prices, the blocking of savings deposits was enforced in 1946, but as it was ineffective, the freezing of deposits was completely lifted on 21 July. Emergency measures were adopted by the Bank of Japan to restrict loans first at the end of 1946, and then early in 1947. On 1 March 1948 all these restrictions were combined into a "Regulation for the Restriction of Loans by Banking Institutions", which also provided for the stoppage of loans for production from the Bank of Japan and the limitation of loans from all other banking institutions to the amount available in free yen deposits. Upon the implementation of recommendations of the Dodge Mission further measures were taken and in May 1950 the Bank of Japan placed a ceiling upon its loans to commercial banks, which were not to exceed the amount outstanding at the end of April. On the other hand, in order to mitigate the effects of the deflationary tendency on long-term finance, the Bank of Japan engaged in open market operations in 1950 by purchasing government bonds, especially after the suspension of the activities of the Reconstruction Finance Bank. During 1950 it purchased Y.40,000 million as compared with Y.32,000 of the previous year. With a view to stabilizing the external value of the yen a new single rate of exchange, namely Y.360 = $US1, was introduced on 25 April 1949, to cover foreign trade as well as exchange transactions. A new Foreign Exchange and Trade Control Law, with effect from December 1949, simplified the procedure for the exchange side of exports and among other features established a Council at cabinet level to budget foreign exchange.

In Burma, Taiwan, Hong Kong, Indochina, Malaya and British Borneo, and Thailand, although in addition to exchange control some measures have been taken to implement their respective monetary policies, they have not been as comprehensive as in the first group of countries.

In order to maintain internal stability the Union Bank of *Burma* kept almost 100 per cent of foreign reserves during 1948 and 1949, as according to the Board of Directors they refrained from making investments or from undertaking any commitments which, in view of the prevailing uncertain conditions, might prevent them from bringing the whole of their resources to bear whenever and wherever they might be best employed. Although there have not been many occasions for the Union Bank of Burma to act as a lender of last resort, it has announced its bank rate of 3 per cent since it began its operations in 1948. It also announced in September 1949 its rediscount rate for treasury bills at ⅛ per cent above the average/current rate of issue, subject to a maximum of Rs. 99-15-6 per cent.

In *Hong Kong, Malaya* and *British Borneo,* and *Thailand* hardly any measures have been taken, besides the institution of exchange control, to implement the objectives of maintaining external stability. In *Taiwan,* external stability has been maintained by exchange control though it has not been entirely successful. With reference to internal stability, the Bank of Taiwan instituted restrictions on loans and other measures to help keep the new Taiwan yuan stable during 1949-1950. In *Indochina* exchange control exists to maintain external stability, while internal controls have been placed on the expansion of note issue, and the discount rate of the Bank of Indochina was raised from 3.5 per cent in March 1946 to 4.5 per cent in July 1948 and 5.5 per cent in June 1949. Even though other banks hardly ever use the rediscount facilities of the Bank of Indochina, the raising of the bank rate may have a salutary effect on the economy. In order to assure that the needs of industry and trade are met, the Bank of Indochina is authorized by its constitution to subscribe to financial, agricultural, industrial and commercial undertakings, provided that the money is obtained from reserves and to the extent of not more than 50 per cent. In practice, the Bank of Indochina has an interest in about forty firms in various fields, the management of which has been entrusted to a subsidiary, the Financial Union of the Far East.

Monetary Authority: Participation by and Relationship between Governments and Central Banks

Generally speaking, in any of the countries with central banks there is very close relationship between the central banks and governments in the formulation of monetary and economic policy, inasmuch as the central banks are either owned completely or controlled to a large extent by governments. In *Burma,* the Union Bank of Burma is owned by the Government, which nominates all the members on the Board of Directors. The Union Bank extends advice to the Government through its reports on various matters. As early as in its annual report for 1948, it supported the principle of inviting foreign capital and technical personnel, which was accepted by the Government in 1949. The Union Bank also stated that in the interests of monetary stability, Parliament should limit the extent of direct loans taken by the Government from the Union Bank. In *Ceylon,* the Central Bank, also owned by the Government, has already advised the Government to reduce its expenditure and increase its revenue in order to control inflationary pressure. In *India,* even before the Reserve Bank of India was nationalized, with effect from 1 January 1949, the Government had considerable control over its policy. In *Pakistan,* the Government owns 51 per cent of the share capital of the State Bank of Pakistan, consisting of Rs. 30 million. The management of the State Bank is carried out by a central board of directors, plus the Governor and one or two Deputy Governors. Originally, the Government nominated not only the Governor and the Deputy Governors, but also five of the nine directors. This has, however, been changed by the State Bank of Pakistan (Amendment) Order 1949, which provided for the nomination by the Government of six instead of five directors. In the *Philippines,* the government-owned Central Bank has been performing important advisory functions, e.g., introduction of strict exchange control in 1949 and insistence upon the necessity for budgetary reform. In *Thailand* the Government owns completely the capital of Baht 20 million of the Bank of Thailand. All members of the board including the Governor are appointed by the Government.

Central banks, as bankers to the government, have helped governments to float treasury bonds and treasury bills. They have not been very successful in getting the public to subscribe to more government bonds and treasury bills. On the other hand, their credit extension to the government for meeting its needs (including foreign securities held by central banks) has been quite significant in Burma, India, Indonesia, Pakistan, the Philippines, Thailand and Japan, though not in Ceylon.

In *Burma,* the Union Bank has successfully created a market for treasury bills; during 1949, when owing to internal disturbances commercial banks and institutions were reluctant to hold treasury bills, the Union Bank absorbed the balance which could not be taken by them. During 1950, the Union Bank successfully floated 2 per cent treasury bonds of Rs. 14.4 million maturing in three years and 3 per cent treasury bonds of Rs. 5.7 million maturing in five years. In fact, the credit extended by the Union Bank has been wholly for meeting government needs, not for other domestic purposes. The absolute amount of credit given to the Government increased from Rs. 22.4 million in 1948 to Rs. 31.3 million in 1950.

In *India,* the Reserve Bank has actively supported the government securities market and has given loans to the Government. The amount of credit given by the Reserve Bank to the Government reached 37 per cent of its total credit even in 1938. During the war years, although there was no absolute decline, there was a relative decline, as the Reserve Bank began to accumulate sterling securities in unprecedented quantities. In spite of this, in post-war years, owing to the increasing amount of credit given to the government, plus the using up of sterling securities for meeting the balance-of-payment deficits, the percentage of credit given by the Reserve Bank of India to the Government has surpassed the pre-war level and in 1950 it constituted 39 per cent of the total credit given by it.

In *Pakistan,* although the State Bank of Pakistan was created as recently as 1948, it has acted very successfully as a government banker. The proportion of credit which the State Bank of Pakistan gave to the Government increased rapidly, from 17 per cent of the total credit in 1948 to 20 per cent in 1949. The high figure of 40 per cent in 1950 was due partly to the revaluation of the State Bank of Pakistan's foreign assets in June 1950 and substitution of government securities for foreign assets to cover the note issue.

Table 142. Central Bank Credit and Government Domestic Borrowings

	Total credit supplied by central bank (in millions)[a] [b] (1)	Central bank credit to government as per cent of (1) (2)	Other domestic credit from central bank as per cent of (1) (3)	Total government domestic debt outstanding including[c] credit from central bank (in millions) (4)	Central bank credit to government as per cent of (4) (5)
Burma (Rs.)					
1948	22.4	100	–	70.6[d]	31.7
1949	30.1	100	–	76.6[d]	39.3
1950	31.3	100	–	96.5[d]	32.4
Ceylon (Rs.)					
1950[e]	516.4	6.7	–	560.5[f]	6.1
India (Rs.)					
1938[g]	1,130	37.2	..	7,400[h]	5.7
1946	17,470	4.5	.06	23,210[d]	3.2
1947	17,000	8.0	.04	21,340[d]	6.4
1948	16,230	17.5	.6	24,110[d]	11.7
1949	13,710	36.8	.8	24,640[d]	20.5
1950	13,620	38.5	.7	25,030[d]	20.9
Indonesia (R.)					
1938	65.3	0.3	96.9	0.2[f]	100
1948	911.9	85.4	11.2	1,785.6[f]	43.6
1949	1,037.2	87.6	6.6	2,302.2[f]	39.5
1950	2,295.5	94.0	3.9	5,097.4[f]	42.3
Pakistan (Rs.)					
1947	..	..	..	296.7[i]	..
1948	1,419.6[j]	16.5	..	924.9[d]	25.3
1949	1,976.2	19.6	11.6	1,254.7[d]	30.8
1950	2,109.4	39.9	37.2	1,417.1[d]	59.4
Philippines (P.)					
1949	50	71.2	28.8	404.3[f]	8.8
1950	193	84.3	15.6	560.9[f]	29.0
Thailand (baht)					
1946	986.3	79.0	21.0	..	..
1947	1,341.0	77.2	22.8	980.8[f]	98.5
1948	1,390.3	72.9	27.1	1,175.3[f]	96.3
1949	1,509.1	65.9	34.1	1,220.1[f]	61.3
1950	1,546.2	51.6	48.4	1,481.3[f]	50.2
Japan (yen)					
1938	2,900	62.1	37.9	18,500[f]	9.7
1946	57,200	33.0	67.0	197,000[f]	9.6
1947	157,700	72.2	27.8	391,300[f]	29.1
1948	277,400	80.3	19.7	641,200[f]	34.8
1949	354,200	78.0	22.0	725,900[f]	38.1
1950	345,000	64.3	35.7	592,600[f]	37.4

Sources: See note to table 139. Additional sources are:
Ceylon. Department of Census and Statistics: *Quarterly Bulletin of Statistics.*
India. Government of India, *Budget Statements.*
Japan. SCAP, *Japanese Economic Statistics.*

Notes:

[a] Figures refer to average of end of months, except for government domestic deb

In the *Philippines,* the Central Bank, although established only in 1949, has also acted successfully as a government banker, not only in floating government securities and treasury bills but also in giving substantial credit to the Government. The amount of credit given by the Bank to the Government increased from 71 per cent of the total credit in 1949 to 84 per cent in 1950. In *Thailand,* the amount of credit given by the Central Bank to the Government has been increasing absolutely, but the credit created by the Bank of Thailand for government purposes has declined from 79 per cent of the total credit in 1946 to 52 per cent in 1950. In *Japan,* the credit given by the Bank of Japan to the Government constituted between 64 and 80 per cent of the total credit created by it between 1947 and 1950.

The only country of the region where the central bank has given very little credit to the government is Ceylon. Thus in September 1950 credit extended to the Government by the Central Bank of Ceylon reached only 6.7 per cent of the total credit created. The Bank of Ceylon came into existence only in August 1950, and it is likely that within a few years Ceylon may also follow the pattern of other countries in the region, where credits provided by the central bank to the government constitute a substantial percentage of the total credit created by them.

Notes to table 142 (continued):
which generally refers to end of fiscal years.

[b] Includes foreign securities in Ceylon, India, Indonesia and Pakistan, but excluding foreign securities in Burma, Japan, Philippines and Thailand.

[c] The notations for the figures in this column refer only to government domestic debt other than government borrowing from the central bank which is always represented by actual figures. The concept of domestic government debt as used in this table is the same as the one used in the Public Finance chapter. Slight differences occur because in this table as far as possible use has been made of actual figures of debt derived from central bank reports. Furthermore, column 4 is necessarily different from domestic debt figures in the Public Finance chapter as this column includes government borrowings from the central bank.

Domestic government debt, excluding debt to central bank, consists of the following items:

Burma. Treasury bonds, treasury bills, unfunded debt, cash certificates, savings certificates, deposits with Post Office savings banks; also state provident funds, reserve fund of Post and Telegraphs and state railway provident fund.

Ceylon. Total rupee loans, treasury bills and savings certificates.

Indonesia. Amount of inland floating debt (treasury bills outstanding) government paper money in circulation plus long term debt.

Pakistan. As no debt figures were available the interest charges on unfunded debt and interest in depreciation funds, etc., were capitalized at 3 per cent.

Philippines. Public debt (domestic).

Thailand. Floating debts (treasury bonds and treasury bills) and internal loans outstanding.

Japan. National government bonds, plus government bonds outstanding (internal, external bonds) plus government short-term securities outstanding (treasury certificates, food securities, sericulture bills).

[d] Revised estimates.

[e] September only.

[f] Actual figure.

[g] 1938-39.

[h] Closed account.

[i] Budget estimate.

[j] Average of July-December.

WORKING OF THE CURRENCY AND CREDIT SYSTEM

The indices of total deposits; loans, advances and bills discounted; and bank clearings, all corrected for price changes, were in Ceylon and Thailand above the pre-war level by 1950. In India, in 1946 and 1947 the indices were higher than for 1938, the decline in 1948, 1949 and 1950 being due entirely to partition. In the Philippines, the indices in 1950 just reached the pre-war level, while in Burma and Japan they were much below, in Japan as a result of the cancellation of large amounts of deposits. In Hong Kong, Indochina and Pakistan information for pre-war years is not available, but in comparison with 1947 for Hong Kong and Indochina and with 1948 for Pakistan, the indices show an increase.

In Ceylon, the three indices corrected for price changes in 1950 were between 165 per cent and 247 per cent above the pre-war level, while in Thailand the indices of total deposits and short-term credits were higher by 104 and 137 per cent respectively. In Burma, the three indices were between 49 and 55 per cent of the pre-war level, and in Japan the indices of total deposits and short-term credit were between 26 and 34 per cent. On the mainland of China an expansion of deposits was reported recently in terms of both money and parity units. Substantial reductions in the monthly rate of interest also took place, for example, in Shanghai from 42 per cent in February to 3 per cent in May. Nevertheless, bank deposits in real terms were estimated to have been only 2.5 per cent of pre-war figures. For Shanghai alone, present deposits are only 4 per cent and loans only 1 per cent of the pre-war level.

Meeting Seasonal and Other Short-Term Demands of Agriculture, Industry and Trade

A tentative estimate of the *seasonal demand for funds* can be made on the basis of bank clearings in most countries and of bank debits to checking accounts in the Philippines after elimination of the trend. The peak period of demand for funds in post-war years occurs in the fourth and/or first quarters of each year in India, Pakistan, the Philippines and Japan; while in Burma, Ceylon, Hong Kong and Indochina, it occurs in the second and/or third quarters of each year. In Thailand, the peak period seems to be in the third and fourth quarters.

Although seasonal demands for funds have resulted in slightly higher rates of interest in peak periods, they have on the whole been met fairly well in Burma, Malaya, British Borneo and Hong Kong by a seasonal inflow of foreign capital, and in other countries by the commercial bank running down cash balances and the additional creation of credit. In Burma, the percentage of cash and balances held with the Union Bank to

Table 143. Indices of Total Deposits, Short-Term Credit of Commercial Banks and Bank Clearings[a]

	1938	1946	1947	1948	1949	1950
Burma						
Total deposits	100	..	..	50.7	44.0	54.7
Short-term credit	100	..	..	39.0	25.7	50.4
Bank clearings	100	..	..	63.5	38.4	49.2
Ceylon						
Total deposits	100[b]	153.9	153.2	141.0	145.4	165.2
Short term credit	100[b]	79.6	156.8	168.0	183.7	247.3
Bank clearings	100[b]	117.7	139.3	157.9	185.3	214.3
Hong Kong						
Total deposits	..	..	..	..	..	..
Short-term credit	..	..	..	..	..	..
Bank Clearings	..	..	100	126.8	151.5	188.1
India						
Total deposits	100[c]	164.7	144.2	113.7	97.9	91.6
Short-term credit	100[c]	124.1	120.6	97.3	96.8	90.6
Bank clearings	100[c]	124.4	98.9	85.8	77.8	72.9
Indochina						
Total deposits	..	..	100	70.8	65.0	83.0
Short-term credit	..	..	100	147.4	210.6	251.8
Bank clearings	..	..	..	..	..	..
Pakistan						
Total deposits	..	..	..	100	100.1	115.0
Short-term credit	..	..	..	100	144.9	185.9
Bank clearings	..	..	..	100	118.0	128.2
Philippines[d]						
Total deposits	100	33.3	59.0	71.6	77.6	87.8
Short-term credit	100	30.6	74.0	91.3	107.3	121.5
Bank debit to checking accounts	100	33.4	56.8	89.3	96.5	100.8
Thailand						
Total deposits	100[e]	..	84.0	89.9	101.5	104.1
Short-term credit	100	..	51.6	77.3	120.8	136.6
Bank clearings	..	100	197.4	286.7	411.9	571.9
Japan						
Total deposits	100[d][f]	60.8	25.0	18.2	21.0	26.0
Short-term credit	100[d][f]	73.7	28.6	19.4	23.8	33.6
Bank clearings	100[d][f]	3.0	3.1	4.6	2.9	3.6

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[a] Corrected for price changes. For Burma, Ceylon, Hong Kong, Pakistan and the Philippines, cost-of-living indices have been used. For India, Indochina, Japan and Thailand, wholesale price indices have been used.

[b] 1939 = 100.

[c] 1938/39 = 100.

[d] 1940 = 100.

[e] 1938/39 (April 1938-March 1939) = 100.

[f] 1936 = 100.

total deposits of commercial banks was 36 in the third quarter, but as high as 46 in the fourth quarter. In Ceylon, the percentages of short and long-term credit to total deposits were 23 and 40 in the busy period and 19 and 37 in the slack period. In India, the commercial banks met the seasonal demand for funds by running down their cash and balances held with the Reserve Bank of India and by the sale of their investments, which of course was supported by the open market operations of the Reserve Bank. In the peak month of March, the percentage of cash and balances held with the Reserve Bank to total deposits was 2, and that of investments to total deposits 3 per cent, lower than in the slackest month. The percentage of loans, advances and bills discounted to total deposits in scheduled banks was 4.3 higher in the peak month. In Indochina, the percentage of short-term credit to total deposits was 45 in August, whereas in January it was only 34. In Pakistan, the percentage of loans, advances and bills discounted to total deposits was as high as 53 in December, as compared with 39 in June. In Thailand, cash and balances held with the Bank of Thailand were 39 per cent in August as compared with 47 per cent in January. The percentage of short-term credit to total deposits was about 2 per cent higher in the busy than in the slack period. In Japan, the percentage of investments to total deposits was 18 in December as compared with 24 in April.

The short-term credit needs of trade in countries of the region have usually been adequately met. Of the loans given by commercial banks in Ceylon during 1946-1950, 58 per cent was for trade purposes. In India, of advances by the scheduled banks during 1949 and 1950, 40 to 43 per cent was for trade. In the Philippines, of the total loans outstanding of commercial banks on 30 November 1950, loans for commercial purposes accounted for 34 per cent. In the mainland of China, although from March to June 1950 loans given by commercial banks in Shanghai for domestic and foreign trade averaged only 19 and 7 per cent of total loans given, the amounts were considered satisfactory for trade purposes. In Pakistan, the timely establishment of the National Bank of Pakistan helped considerably in financing the jute trade. Between November 1949, when it began operations, and March 1950, the Bank advanced Rs. 70 million for jute financing. Of this amount the merchants availed themselves of at least Rs. 40 million. It also advanced to cotton and wheat trade later in the year. In Malaya and Thailand, although at one time credit for trade purposes was considered satisfactory, some complaints were made during 1950 about the restrictions imposed by banks and the tight money situation arising from the increased need to finance the export trade in rubber and tin, which had risen in price. In Thailand, the tight money situation was due to the deferred payment for rice purchased by the Government.

The short-term credit requirements of agriculture within countries of the region are met by money-lenders rather than by special institutions The co-operative societies and the governments provide a certain amoun of credit which, however, as noted above, is very limited. Commercia banks do not generally provide credit for agriculture, and where they do it is only in small amounts. Thus in Ceylon loans to agriculture constituted only 9 per cent of total loans given by commercial banks during 1946-50. In India scheduled banks gave only 5 per cent of their total short-term credit to agriculture during 1949 and 1950. In mainland China, banks in Shanghai gave 0.6 per cent of total loans to agriculture from March to June 1950.

In Burma, the Government in post-war years lent to cultivators on the average Rs. 25 million during 1945/46 and 1946/47, but the amount declined in subsequent years, varying during 1947/48 and 1950/51 between Rs. 7 million and Rs. 12 million.

In Ceylon agricultural credit is given by the Agricultural and Industrial Credit Corporation and the State Mortgage Bank, which generally provide long-term rather than short-term credit. Between 1943 and 1949 the Agricultural and Industrial Credit Corporation advanced Rs. 12.5 million to agriculture, out of a total loan of Rs. 14 million. The rate of interest charged varied between 5 and 6½ per cent *per annum*. In India, although agricultural finance is provided by commercial banks, co-operative banks and the Government, it is derived largely from money-lenders. A recent statistical survey in West Bengal reveals that provincial usurers furnish 17 per cent of the loans and proprietors and cultivators furnish 20 and 32 per cent respectively. In Darrang District (Assam) money-lenders and landowners furnish 62 and 4 per cent of the secured loans respectively. Government loans in nine provinces increased from Rs. 7.3 million in 1937/38 to Rs. 92.2 million in 1948/49. The amount of credit given by agricultural credit co-operatives also increased from Rs. 67.5 million in 1938/39 to Rs. 205.8 million in 1948/49.

In Indochina short-term agricultural credit was provided mainly by money-lenders, and the pawnshops, which were operating at one time, have been destroyed and no longer provide credit to agriculture. The institutions providing agricultural finance in Indonesia include the village paddy banks, the village money banks, the General People's Credit Bank with the (Regency) branches, the government pawnshops and co-operative institutions.

In the Philippines there have been several government agencies to finance agricultural development. In 1940 a new government-owned Agricultural and Industrial Bank took over agricultural lending functions from the Philippine National Bank. After the war the newly formed Rehabilitation Finance Corporation took over the functions of the Agricultural and Industrial Bank, which was liquidated. It gave larger volume of credit to agriculture than other government agencies such as the National Land Settlement Administration, the National Tobacco Corporation and the Rural Progress Administration. Between January 1947 and November 1949 it gave loans to agriculture totalling P.38.3 million, while between December 1949 and November 1950 it gave P.13.8 million. In Thailand agricultural credit is provided by the co-operatives and the Government. In 1949 5.5 million baht was allocated by the Government to be used as a revolving fund to the farmers, thus bringing the total fund available to 10.5 million baht. In 1950 an additional 7.5 million baht was provided in the budget bill to aid agriculture. In May 1950 the Agricultural Bank was opened for the specific purpose of financing agriculture. In Japan the Central Bank for Agriculture and Forestry, the Federation of Agricultural Co-operative Credit Associations and the Agricultural Co-operative Association are responsible for financing of agriculture, forestry and aquatic industry.

As there are few specialized institutions to provide long-term or short-term finance for *industry* in the region, the trend has been for governments to assume increasing responsibility in industrial finance, especially in view of the growth of state-owned enterprises. Special institutions for providing industrial finance, however, exist in India, Pakistan and Japan.

The commercial banks in the region do not, as a rule, provide much short-term credit to industry, except possibly in Ceylon, where the loans given by commercial banks to industry during 1946-1950 reached 34 per cent of the total loans given by them. In India scheduled banks gave advances to industry during 1949 and 1950 amounting to 15 to 19 per cen of the total. In the Philippines the commercial banks in November 1950 gave 5 per cent of their loans for industrial purposes.

In Ceylon the State Mortgage Bank, in addition to agricultural loans gives a small number of loans for industrial purposes. In India the Indus trial Finance Corporation, with an authorized capital of Rs. 100 million of which Rs. 10 million each was subscribed by the Government and th Reserve Bank of India and the rest by commercial banks, insurance com panies and private investors, began operations in 1948. At the end of it first year of operation, in June 1949, it had Rs. 34.2 million of loans out standing, of which Rs. 6 million was for ceramics and glass, Rs. 5.7 millio for chemicals, Rs. 4.3 million for textile machinery and Rs. 4 million eac for cotton textiles and cement. At the end of its second year of operatio on 30 June 1950, the amount of loans outstanding was Rs. 37.7 millio of which Rs. 9.3 million was for cotton textiles, Rs. 5 million each fo rayon and aluminium, and Rs. 3.9 million for mechanical engineering. Th rate of interest charged by the Corporation was 5 per cent, and in vie of the heavy demand for credit it issued bonds to the extent of Rs. 5 million redeemable in 1964 at 3¼ per cent.

In Malaya the Colonial Development Corporation, as part of its pla to set up industry in Malaya, stated in 1950 that it would advance borrowers up to a maximum of 75 per cent of the value of a factory. T advances were to be repaid in instalments over a number of years, a were similar to the loans given by the Federal and Colonial Buildi Society for house building.

In Pakistan the Industrial Finance Corporation was established duri 1949 with a share capital of Rs. 20 million, for the purpose of providi long-term finance to industry. The Corporation advanced up to 30 June 1950 loans amounting to Rs. 6.95 million.

In the Philippines the Rehabilitation Finance Corporation's loans to industry and trade during 1950 amounted to 42 per cent of the total loans given by it. The Government during 1949 earmarked P.200 million for economic reconstruction and development, to be released by the Central Bank. The extent of industrial credit obtained by the major export industries varied. Sugar mills received most of their credit from banks, while the copper and hemp industries obtained their credit from both moneylenders and banks. In Thailand, it was reported that plans to establish the National Industrial Bank were under way. This bank would be government-owned and would give loans and subsidies to industrial concerns.

In Japan, since the Industrial Bank could not finance all its industrial needs from its own resources, the Reconversion Finance Bank (also known as the Reconstruction Finance Bank) was established. Another source was the United States Aid Counterpart Fund, and although the total credit given by the Fund was 95,300 million yen in 1949 and 86,300 million yen in 1950, there were complaints made by business circles that the quantity and timing of the loans were not satisfactory for the needs of the economy.

On the mainland of China, the commercial banks have been encouraged to give increasing attention to the financial needs of industry. Loans given to industry by commercial banks in Shanghai from March to June 1950 amounted to 70 per cent of total loans outstanding. For some of the banks loans to industry amounted to as much as 76 per cent of total loans. The People's Bank led the commercial banks by advancing as much as PBN 297.7 million to state-operated public utilities in Shanghai and PBN 117.9 million to privately-operated public utilities during the months from June to December 1949, when the power companies in Shanghai, immediately following the withdrawal of the troops of the National Government, were left without fuel.

Financing Government

The banking systems in most countries of the region have absorbed large portions of the government debt, especially in Burma, China, India, Indonesia, Pakistan, Thailand and Japan. In Ceylon, very little credit has been given by the central bank to the government.

During 1950, the amount of credit given by the central banks to governments as a percentage of the total government debt outstanding (including credit from the central bank) was between 50 per cent and 60 per cent in Pakistan and Thailand. In Burma, Indonesia, the Philippines and Japan it was between 21 per cent and 42 per cent, while in Ceylon it was only 6 per cent. In post-war years, central banks have supplied increasing percentages of credit to their governments, except in Thailand. In Taiwan the loans granted by the Bank of Taiwan to government enterprises during

1949 were nearly treble those to private business and at the end of November 1949 the total loans to government enterprises outstanding were NTY 168.4 million.

The commercial banks in the countries of the region also gave considerable support to government securities. In Pakistan, in January 1951, the scheduled banks' holdings of government securities amounted to 36 per cent of the total credit created by them, and in comparison with the credit needs of the government, were also substantial, amounting to 35 per cent. In the Philippines, the investments of the commercial banks in national government securities amounted to only 5 per cent of the total credit given by them during 1950. On the mainland of China, in order that the currency and credit system should better serve government needs, an order for the "centralization of the nation's financial and economic administration" was issued on 3 March 1950, with the three basic features of (1) centralization of government revenue and expenditure, (2) centralization of disposal of government resources, and (3) centralization of control over government cash deposits. By this means it was hoped that the Government would be able to satisfy its credit requirements to a greater extent.

Working of the System

Changes in money supply

Great changes in money supply took place in countries of the region during the post-war years. In 1946, as compared with the pre-war period, money supply in all countries of the region increased by many times. In Ceylon, Indochina, Indonesia, Malaya, Pakistan, Thailand and Japan, the post-war money supply has been increasing at varying rates. In Burma, although it increased in 1949 by 19 per cent over 1948, in 1950 there was a reduction of 6 per cent compared with 1949. In India, during 1948, 1949 and 1950, money supply was reduced by 5, 9 and 9 per cent respectively. In the Philippines, although during 1947 and 1948 money supply increased over the previous year by 8 per cent and 18 per cent respectively, in 1949 there was a contraction of 13 per cent, while in 1950 expansion again occurred to the extent of 25 per cent.

Changes in money supply are affected by four factors, namely international receipts and payments, private bank credit, central bank operations, and government receipts and expenditure.

In *Burma* changes in money supply have occurred, mainly owing to changes in the balance of payments. When balance-of-payments deficits occurred during 1947 and 1948, the currency in circulation declined from about Rs. 510 million in early 1947 to Rs. 360 million at the end of 1948. During these years deposit money, however, did not undergo any significant changes. In 1949 money supply expanded by about 19 per cent, owing mainly to the monetization of most of the foreign exchange earned and not to government action. During 1950, there was a decline of 6 per cent in money supply, which was accounted for by the increase of government deposits from Rs. 96 million at the end of 1949 to Rs. 264 million at the end of 1950.

In *Ceylon,* during 1950, the money supply increased from Rs. 640 million at the end of December 1949 to Rs. 881 million at the end of 1950, i.e., an increase of 38 per cent. Of the factors responsible for the increase in money supply, 54 per cent was due to monetization of foreign assets, 44 per cent to total bank credit expansion (26 per cent for commercial bank credit to the Government, 3 per cent for Central Bank's credit to the Government, 23 per cent for commercial bank credit to the private sector, and—8 per cent for the shift from demand to time liabilities at commercial banks), and 2 per cent to reduction in the Government's rupee cash balances. The Government's contribution to the increase in money supply includes not only the 2 per cent reduction in cash balance, but also the commercial banks' credit and the Central Bank's credit given to the Government. If these were included, the Government's contribution to the increase in money supply would be 30 per cent.

In *India,* during 1948 and 1949, money supply decreased by 4.6 and 9.2 per cent respectively, owing mainly to the adverse balance of payments, which was larger than the withdrawal by the Government from its cash balances, plus the Reserve Bank of India's purchase of government securities. There was no change in the money supply in 1950.

In *Indonesia,* money supply during 1948, 1949 and 1950 increased at a steady rate of about 2 per cent, while currency in circulation rose by 27 per cent in 1948, 15 per cent in 1949, and 36 per cent in 1950, owing mainly to the Government's budget deficit causing it to increase its note issue and its debt to the Java Bank, which brought about an increase in Java Bank notes and deposit money.

In *Pakistan* money supply increased from Rs. 2,700 million at the end of 1948 to Rs. 3,000 million at the end of 1950, which represented an increase of 3 per cent in 1949 and 7 per cent in 1950. This increase in money supply was more or less evenly distributed between currency and deposit money. The increase should be considered with the decline in foreign assets of the State Bank of Pakistan by Rs. 570 million during the same period. Normally, if foreign assets were utilized, for example, to pay for imports, there should be a decrease in money supply, but nasmuch as the State Bank of Pakistan had sufficient control over the size of the note issue, as it had to keep only 30 per cent reserve against notes issued, and as its reserve was as high as 95 per cent at the end of 1948, this meant that it could increase the money supply in spite of balance-of-payments deficits. Under the leadership of the National Bank of Pakistan also, a considerable volume of credit was created by the banking system for financing the jute trade.

In the *Philippines,* during 1949 money supply decreased by P.157 million. External factors would have brought about a decrease in money supply of P.312 million, and private banks one of P.51 million; however, the decrease was not as great because of (1) a net increase in money supply caused by the Central Bank's advance to the Philippine National Bank, thus creating a production credit of P.125 million, and (2) increase in money supply of P.81 million on account of action by the Government. In 1950, however, the position was reversed, and money supply in the Philippines increased by P.203 million. This abnormal expansion of money supply was attributed to the monetization of foreign exchange from US dollar disbursements and the narrowing of the trade deficits by 95 per cent. The deficit financing of the Philippine Government and the development projects of the semi-government entities were among the important domestic factors accounting for one-third of the gross increase in money supply. The banking system was the offsetting factor and was responsible for a net decrease in money supply of P.89 million; if this had not occurred, money supply would have increased by more than it did.

In *Thailand* money supply increased by 10 per cent in 1948, by 7 per cent in 1949, and by 28 per cent in 1950, through increases in note circulation brought about by increased demands for financing trade.

CHAPTER XVI

Prices

GENERAL MOVEMENTS

The pattern of price movements indicates three significant phases: the war period of steep price rises; the period from 1946 to the third quarter of 1949, by which time the inflationary forces generated during wartime had spent themselves; and the subsequent period, which witnessed a revival of inflation.

Prices During the War Period

The war left a legacy of inflation to the countries of Asia and the Far East. Broadly speaking, compared with the period immediately preceding the war, the price level in 1946 was multiplied two to two-and-a-half times in Ceylon, India and Pakistan, three times in Malaya, four times in Burma and six times in the Philippines; in Indochina it increased by eight times, in Thailand eleven times, in Japan twelve-and-a-half times, in Indonesia twenty-four times, and in Korea it was more than fifty times as high. China had a runaway inflation, and between 1939 and 1947 prices rose more than fifty thousand times in terms of the yuan currency.

Prices in Immediate Post-War Years (1946-1949)

The aftermath of the war did not contribute significantly to the curbing of the inflationary pressures, except in Malaya and the Philippines.

China, Japan and South Korea experienced severe inflation. In *China* the hyper-inflation of wartime continued as a result of the civil war, financed predominantly by currency issue. The currency in circulation went on mounting and prices rose even faster, indicating a total lack of confidence in the currency. The various financial and economic measures taken by the National Government in 1947 and 1948 to hold the tide of inflation proved unsuccessful. The year 1949 saw the extension of the authority of the communists. The measures taken by them in the latter half of 1949 are described on page 495.

In *Japan,* immediately after the surrender, there was a period of extreme inflation between August 1945 and February 1946, when the currency circulation increased from Y.30,000 million to Y.60,000 million, and prices rose rapidly. In March 1946 emergency financial measures were effected to retard the inflation by a reissue of currency notes. At the same time official prices, which existed only in name, were revised and raised by about 100 per cent so that they might be effective again. The effect of these anti-inflationary measures was only temporary. Black-market prices rose persistently till September 1946. From October 1946 to June 1947 the Government pursued a rather loose credit policy to allow free scope to the expansion of production. As a result prices shot upwards again and, spurred by the delayed rationing of staple foods, they recorded a sharp increase of 250 to 300 per cent during the nine months ending June 1947. In July 1947 the Government enforced emergency economic measures to stabilize prices and wages simultaneously. These economic stabilization measures of 1947 failed because of deficit public financing and the need to allow rises in wages, owing mainly to a rise in black-market prices. These two factors undermined the official price structure, which it was planned to stabilize at sixty-five times the pre-war level. The Government announced in November 1948 that there would be no more revised official prices, no increased subsidies, and no provision to enterprises of deficit loans incurred in order to pay wage increases following the rise in black-market prices and not resulting in improved labour productivity. As a result, the rise in black-market prices was slowed down. With the gradual recovery of production, the Government relaxed its policy of not raising official prices. In fact official prices came to be fairly close to black-market prices. Inflation greatly abated in April 1949, when the establishment of the official exchange rate at $1 to Y.360 linked Japan with the outside world. The budget deficit was reduced, and prices were stabilized.

After the establishment of the Republic in *South Korea* prices continued to climb rapidly following heavy government deficits. The Government's tax collections were running at one-third of the estimates, and expenditure, mainly on defense and security and purchases of rice for export, exceeded expectations at the time of the budgets by a wide margin. In fact, prior to the outbreak of the war in mid-1950, South Korea was already on the brink of a runaway inflation.

During 1946-1949 prices, although relatively stable, recorded some rises in India, Pakistan, Indochina, Burma, Ceylon, Hong Kong and Thailand. In *India* the rate of upward movement of prices experienced during the war declined, and the period from 1946 to 1949 may therefore be described as one of decelerating inflation. The main factor responsible for the continuation of inflationary pressure was shortages of supplies resulting from balance-of-payments difficulties and from the decontrol of prices in 1947. With the reimposition of controls in 1948 and the conscious efforts of the Government to bring down the price level, the rate of increase further slackened for a while. *Pakistan,* at the time of partition, found itself with an exportable surplus of wheat. This together with jute exports made i possible to obtain necessary imports. In *Indochina,* the wartime rise in prices had slowed down as a result of factors acting in the opposite direction. Whereas the expenditure of the French army and the budget deficits were inflationary in their effects, deflationary influences were exercised by the import surpluses and by transfers on various accounts to France. Since most of the Indochinese imports were from France, stabilization of prices of imported products in Indochina was the result of stabilization of prices in France. Due to disturbed local conditions, however, there was a continuous rise in prices of local products. In *Burma,* prices rose during the latter part of 1948 owing to the interruption of supplies caused by civil strife, but these came down as the Government succeeded in extending its authority and reopening normal channels of transport and communications. In spite of a favourable foreign-exchange position resulting from exports of rice, Burma continued to experience a shortage of imported consumer goods. In *Ceylon,* the inflationary forces had not completely spent themselves at the end of the war, and prices continued to rise in 1946 and 1947. Thereafter prices steadied and gradually fell until the devaluation in the last quarter of 1949. In *Hong Kong* the cost of living reached a peak in 1946, remained high till March 1947, then fell and was held in check for the next two years. In 1949 supplies from the mainland of China became more difficult, and the growing uncertainty of future supplies and the acute housing shortage led to a 12 per cent rise in prices. *Thailand* had no food difficulties and the continued high demand for rice exports made it possible for it to import consumer goods freely. However, control over rice exports maintained a stable rice price at home.

Prices fell during the period from 1946 to 1949 in the Philippines, Indonesia and Malaya. The fall in prices in the *Philippines* was the result of a revival in production and free accessibility of imports. Because of the recovery of production and the United States aid, prices continued falling until exchange-control measures were instituted in December 1949. In *Malaya* the gradual downward trend of prices was arrested only by devaluation. In *Indonesia* prices continued to be very high, though they came down from the high levels reached during the war as a result of the settlement of the political problem and the Economic Co-operation Administration aid which made possible the purchase of rice, cotton cloth, yarn and other products.

Prices in 1950

The year 1950 shows progressively the effects of devaluation, stockpiling and rearmament in the western countries and from July onwards, the effects of the war in Korea.

In September 1949, the currencies of Burma, Ceylon, Hong Kong, India, Indochina, Indonesia, Malaya, North Borneo, Brunei and Sarawak were devalued.[1] Devaluation led to a rise in import prices in almost all the

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[1] See chapter XII on "International Trade and Payments".

Table 144. Index Numbers of Prices

(1948 = 100)

Country	Index	Centre	1938	1946	1947	1948	1949	1950	1949	1950			
									IV	I	II	III	IV
Burma	C.O.L.	Rangoon	28	106	108	100	135	114	122	116	113	121	108
Cambodia	C.O.L.	Pnompenh	24	136	115	100	142	..	127	119	115	132	..
Ceylon	C.O.L.	Colombo	..	88	97	100	99	105	101	104	103	106	106
Hong Kong	C.O.L.		..	..	101	100	112	117	120	122	115	116	116
India	W.P.		27[a]	..	81	100	104	109	106	106	107	111	112
	C.O.L.	Bombay	35	85	92	100	101	103	102	101	102	106	103
Indonesia	Food	Djakarta	8	..	179	100	97	113	101	105	118	111	119
Korea, South	W.P.	Seoul	..	34	61	100	137	202[b]	170	202	..	..	..
	R.P.	Seoul	..	36	65	100	127	198[c]	151	195	204[d]	..	..
Laos	C.O.L.	Vientienne	..	..	86	100	115	108[b]	116	108	..	..	..
Malaya	C.O.L.	Kuala Lumpur	..	..	106	100	94	101	94	94	97	103	109
Pakistan	C.O.L.	Karachi	..	..	..	100[e]	..	95	..	97	94	94	94
Philippines	W.P.	Manila	20	143	96	100	87	77	82	78	73	76	83
	C.O.L.	Manila	25	143	106	100	94	92	91	92	89	92	97
Thailand	W.P.	Bangkok	6[f]	..	105	100	93	95	91	90	94	96	101
	C.O.L.	Bangkok	8	86	100	100	96	99	95	98	102	97	100
Viet-Nam	W.P.	Saigon	6[g]	48	68	100	124	122	127	115	113	129	134
	C.O.L.	Saigon	..	46	74	100	122	125	121	121	122	127	130
Japan	W.P.		1	13	38	100	163	192	171	177	178	197	215
	C.O.L.		..	27[h]	57	100	138	129	134	131	125	129	129

Notes: C.O.L. stands for Cost of Living; W.P. for wholesale prices; R.P. for retail prices.

[a] Year ending August 1939.

[b] January-March.

[c] January-April.

[d] April only.

[e] April 1948-March 1949 = 100.

[f] Year ending March 1939.

[g] January-June 1939.

[h] August-December.

[i] Effective consumers' price index.

countries of the sterling area. Not only did the prices of imports from dollar areas rise but also the prices of imports like sugar from soft-currency areas. This was because the supplies from these producing areas were insufficient to meet the demands of soft-currency consumers.

As a result of the increasing international tension the western countries started stock-piling essential war materials. This resulted in a boom in the exports of the region, particularly rubber and tin. Rearmament also led to a rise in prices abroad which gave a further impetus to the price rises of imported goods.

The war in Korea led to a significant rise in the prices of Japanese manufactures, particularly textiles, chemicals and electrical goods. These by themselves would have had a small effect on the general price level, but a revival of wartime speculation led to significant all-round price increases.

The following notes indicate the main price trends during 1950 in different countries of the region.

Burma

The improvement of surface transport was primarily responsible for the fall in prices of basic commodities, particularly in upper Burma, in early 1950. Control over imports from hard-currency areas was also relaxed from February 1950 and led to the gradual lowering of prices. Prices rose, however, during the Korean war.

Ceylon

The economy is very sensitive to foreign trade and the boom in the prices of exports, namely rubber, tea and coconuts, and high prices of imports caused by the devaluation and the Korean war led to significant rises in prices. Since December 1950, in spite of further subsidies on rice and flour, the cost of living continued to rise.

China

On the mainland the People's Government had introduced the PBN currency in 1949 to replace the old currency in circulation. The conversion rates varied from place to place and reflected the difference in the degrees of inflation among various regions. The stability of PBN prices between July and October 1949 had been reached by the large-scale confiscation of National Government and private hoards, which were dumped on the market. Hoards had also come out for fear of confiscation. The Government has also taken measures to keep the real value of savings stable by the adoption of a real-value unit called the "parity deposit unit", which in Shanghai was equal to 1.56 catties of medium-grade rice, one foot of cloth, one ounce of peanut oil and one catty of coal briquette. Bank loans were also converted into real terms to eliminate borrowing for speculation. Prices could not be kept stable as the inflationary pressures could not be contained when the Government stopped selling stocks. By October 1949 the supplies were already exhausted, and prices began to rise sharply. The Shanghai index of wholesale prices (base: August 1949) rose from 141 in the middle of October 1949 to 926 in early March 1950. This rise in the price level was due, in addition to the running out of food stocks, to the low level of industrial and food supplies. The former was due to the difficulties in getting replacement parts for machines, lack of raw materials and insufficient supply of fuel and power. The fall in food supplies was due to drought, flood and transport difficulties. In addition, high military expenditure had led to budgetary deficits. The revenues were running at only 40 per cent of expenditure. After March 1950 consumer prices began to decline, particularly as a result of compulsory loans and budgetary improvement brought about by drastic retrenchment in expenditure. Production increased particularly in the textile industry. There was also an increase by 10 per cent in the rice crop over the previous crop and the wheat crop was 15 per cent higher. Cotton production in 1950 was estimated to be 50 per cent more than in 1949. The year 1950 also saw a very rapid restoration and improvement of railway communications. As a result the Shanghai wholesale commodity price index declined to 700 in May. With the tightening of foreign imports and the war in Korea prices began to rise again and towards the end of the year the index had reached the 900 mark.

In Taiwan a new currency was issued in June 1949 but wholesale prices in Taipeh continued to rise. With the sale of gold, prices were stabilized from February 1949 to July 1950 at around 240-250 (15 June 1949 = 100)

Hong Kong

Prices rose as a result of trade restrictions imposed on exports to Hong Kong because of the possibilities of re-exportation to the Chinese mainland Imports from Japan were also increasingly restricted. Prices, however were stabilized partly as the result of a tight money situation created by a gradual withdrawal by the Hong Kong and Shanghai Bank of the pape notes in circulation on the market.

India

The devaluation coupled with tightened import controls led to a rise i the prices of imported goods. Import prices increased by a larger margi than export prices. The main price rises immediately following the Korea war were in pepper, tin, rubber, artificial silk, metals, drugs, chemicals an dyestuffs and motorcar spare parts.

Indonesia

The rise in export demand, with high prices, led to a favourable balance trade which made large imports possible. Import controls on yarn, medicin and a few other articles were lifted. As a result of fiscal measures, import costs became three times higher, expressed in terms of rupiahs. The disparity between official and free-market prices was greatly reduced.

Malaya

Prices had fallen during 1949, but in 1950 the official price of sugar had to be raised as the supply from soft-currency producing areas was insufficient to meet the demands from soft-currency consumers. During the year there was a heavy boom in the prices of rubber and tin. Prices of foodstuffs rose from July 1950 onwards, more as a result of hoarding than of the export boom. The price of Japanese textiles also rose to very high level following the outbreak of the Korean war.

Pakistan

The country is predominantly dependent on agriculture. Due to a bumper wheat and rice crop in 1949 and a good crop in 1950, there were surpluses above consumption requirements of rice and wheat. The food position in Eastern Pakistan, normally deficit in food-grains, also improved and it did not require all the rice allocated to it by the Central Government. Food-grains were therefore decontrolled. Measures of decontrol, however, had an adverse effect on food-grain prices, which fell to a considerable extent in the interior. Prices of jute also fell by the end of September, when the commitment made under the Indo-Pakistan trade agreement in May to supply 5 million maunds of jute was fulfilled and there was no renewed agreement. In October, therefore, the Government decided to introduce a full-fledged price-support scheme for the 1950/51 season. As regards consumer goods other than food, increased exports made it possible to extend the scope of licence-free imports, but their prices, particularly for textiles, showed an upward trend, resulting mainly from the Korean conflict.

Philippines

During the second half of 1950 the inflationary pressures were sharply emphasized by the increase of money incomes resulting from the rise in foreign-exchange receipts, especially from exports, and deficit financing of government expenditure. At the same time there was an increasing shortage of commodities, mainly owing to the imposition of trade controls, the bottlenecks in the issuance of import licences, decreased availability of commodities from abroad because of stock-piling in foreign countries and, lastly, to speculative hoarding in the Philippines.

Thailand

As in Malaya, increased stock-piling abroad and the war in Korea led to a rise in the prices of rubber and tin. As regards imports, prices of petrol, drugs, Japanese textiles and hardware went up. The rise in the price of petrol was due to a change in the amount of foreign exchange provided at the official rate for essential imports.

Japan

The successful price-stabilization programme had been accompanied by a 15 per cent increase of the official prices during 1949, which was a necessary adjustment caused by the establishment of a single exchange rate and the decrease or abolition of subsidies. Black and free-market prices[2] dropped, however, by more than 30 per cent during the year and effective consumer prices by about 10 per cent. Prices again tended upwards after the outbreak of the Korean war, there being a 23 per cent rise in authorized wholesale prices, a 21 per cent rise in the black-market consumer-goods prices, and an 8 per cent rise in the effective prices of consumer goods between July and December 1950. These price rises were caused mainly by the foreign-trade situation, which was affected by the increased export demand and higher prices for export goods. The rise in the cost of living was not so high, because of the continuation of food subsidies.

SUPPLY OF GOODS

Prices in practically all the countries of the ECAFE region are basically dependent on supplies of the most essential consumer goods — food and textiles. The supplies of these are conditioned by three factors: production, internal transport and external trade.

Rice and wheat are the most important food crops. Production of rice in the region is still appreciably less than before the war. The year 1950 in particular showed the effects of a wide-spread crop failure in the crop season 1949/50 on the Chinese mainland. This accounted for a considerable rise in the price level within the country during the early part of the year. In India there was a small increase in 1949/50 production of rice and wheat. The fall in the import of food-grains was partly offset by a release of stocks, so that the over-all picture appears to indicate a slight improvement in the availability of food supplies. The situation was not uniform over the year, as the country suffered towards the end of the year from serious shortages resulting from earthquakes, drought and destruction of crops by locusts in the 1950/51 crop season. At the same time there was a moderate rise in the production of most industrial and mineral products.

Transport difficulties were considerably eased in Burma, China and Indonesia. In Burma there was an improvement in the transport situation. In China a rapid restoration of railway transport facilitated the movemen of goods, especially foodstuffs, to the deficit areas. China, however, suffered shortages from the United States embargo on exports to the Chinese mainland and Hong Kong. In Indochina difficulties in obtaining supplies from internal sources continued. In Japan, production increased in 1950 as compared with 1949.

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[2] Free-market prices are legal for uncontrolled and decontrolled commodities, whil black-market prices refer to free-market prices for commodities under governmen control.

A significant factor affecting the supply of goods in the region in the post-war period has been the huge imports which characterized the balance of trade of the region prior to the latter half of 1949, and which had an anti-inflationary effect on price levels during these years. In terms of dollars, imports into ten ECAFE countries, namely Burma, Ceylon, Hong Kong, India, Pakistan, Malaya and Singapore, Indochina, Indonesia, the Philippines and Thailand, increased from a pre-war (1938) level of $1,759 million to $2,460, $3,950, $5,217 and $5,233 million respectively in 1946, 1947, 1948 and 1949. On the other hand, exports did not rise to the same extent. There were therefore large import surpluses in terms of goods valued at $441, $676, $833 and $836 million respectively. Japan also had import surpluses of $202, $350, $452 and $396 million in these four years.

The policy of allowing increasing imports, however, led to serious balance-of-payment difficulties. Restriction of imports became a cardinal doctrine of economic policy in the latter half of 1949. With the devaluation in September 1949, stock-piling and rearmament in the western countries in the first half of 1950 and the war in Korea in the second half, imports declined in 1950 to $4,541 million for the ten ECAFE countries, while exports rose to $5,359 million, giving a favourable balance of trade of $818 million. Even allowing for the rise in prices, this indicates a significant fall in the quantity of imports and a significant rise in the quantity of exports.

Speculative hoarding in anticipation of price rises also accounted for the disappearance of goods from the normal channels of trade following the outbreak of war in Korea.

FACTORS AFFECTING AGGREGATE MONEY INCOMES

Budgetary Policies

For lack of up-to-date information indicating cash expenditures and cash receipts, it is difficult to measure precisely the impact of public finances on the economies of the region. Not all the deficits had inflationary effects, because part of the expenditure was incurred outside the countries concerned. Such expenditure strained the balances of payments and the financial positions of the governments concerned but, since it did not result in increasing domestic money incomes, it was not inflationary.[3]

Large deficits characterized the budgets of China, India, Indochina, Indonesia, South Korea, the Philippines and Japan.

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[3] See *Economic Survey of Asia and the Far East, 1949,* chapter VII, table 53, p. 151.

In China the military operations of the National Government were financed by deficits and resulted in galloping increases of note issue. The budgets of the People's Government in the early stages were similarly financed, but there was an improvement in 1950 as a result of increased tax revenue and profits of government enterprises and drastic retrenchment in government expenditures. The deficit of 18.7 per cent in the 1950 budget was to be met by 11.5 per cent note issue and 7.2 per cent long-term bonds. It was expected that later the deficit would fall to 16 per cent.

The deficits of the Government of India were incurred largely on capital account. However, inasmuch as expenditures on capital account were represented by imports financed largely from accumulated sterling balances, they did not contribute to inflation.

The three Indochinese budgets appear to have been balanced over the last three years; expenditures on defence and other items on which the governments are incurring huge deficits are not revealed. These are given and included in the extraordinary budgets, on which available information is not complete. The total amount is supposed to be in the neighbourhood of the provisions of the ordinary budgets.

In Indonesia the levying of taxes started slowly after the liberation. Although the ratios of revenues to expenditures are improving, a considerable deficit still remains.

The deficits of the Government of the Republic of Korea, which in the two years prior to the war in July 1950 exceeded the entire expenditure estimates at the budget times, were caused by huge disbursements for national defence and internal security and by subsidies for financing government-operated agencies and enterprises to stabilize the prices of grains, cotton, silk, tobacco, etc., purchased by the Government.

The Philippine Government could not meet all its expenditure by taxes. Its internal debt, which stood at 7½ million pesos in 1948, increased to 545 million pesos in 1950, but almost half of this was owed to the Central Bank of the Philippines.

In Japan, deficit financing continued up to 1949, when there was a surplus as a result of deflationary measures recommended by the Dodge Mission. The surplus in the budget, and the yen accumulations in the United States Aid Counterpart Fund, were used to repay the debts. The repayment of debts, in so far as the money was paid to the public, was no entirely deflationary, but it helped considerably to ease the tight conditions which had characterized the money market in the middle of 1949 and had threatened to start a depression.

For the rest of the countries, budgetary policies were not significan factors affecting their price levels. There is evidence of a continuing over all tendency in recent years to reduce budgetary deficits in order to brin inflation under control. Attempts have been made to increase tax revenu and decrease expenditures. While attempts at the former have succeeded, n conspicuous reductions in expenditure have been observed, except in Japan. The tendency to reduce defence expenditure has been counteracted by increasing international tension and by the war in Korea. Nor has it been possible to reduce substantially the expenditure on capital projects undertaken in order to raise existing levels of productivity.

A major development in evolving measures to combat inflation has been the significant growth in export duties.[4] The duties were originally levied in September 1949 to counteract part of the rise in prices of exports following devaluation. Besides helping to reduce deficits, these duties have helped to combat the inflationary pressures generated by the export boom during 1950.

Monetary Policies

In March 1950 a significant attempt was made by the Government of Indonesia to bring the internal price level into line with the international price level at prevailing exchange rates. The currency notes above Fl. 2½ were demonetized and reduced in value by half. The other half of the value of the currency notes was to be exchanged as a compulsory loan to the Government in return for 3 per cent bonds. Bank deposits over and above Fl. 1,400 were also cut in half. This, coupled with the fiscal measures affecting the purchase of foreign exchange to pay for the imports, considerably reduced the disparity between the official cost prices of import goods and their local prices.

Central banks in the countries of the region have kept a watchful eye and exercised moral persuasion on the rest of the banking systems to prevent credit expansion for speculative purposes. Credit control has been exercised qualitatively in most of the countries. Thus, for instance, the Central Bank of the Philippines requires a cash margin of 80 per cent on all letters of credit covering the import of luxury and non-essential goods. Stricter control, however, has not as yet been used as an instrument in checking inflationary or deflationary tendencies except in Ceylon, China, South Korea and Japan. Burma, India and Pakistan continue to maintain a cheap money policy. The rates of interest have been high in other countries but not in the pursuit of anti-inflationary policies.

In Ceylon, in order to check inflationary credit expansion following the export boom, the new Central Bank increased the reserve requirements of the commercial banks in December 1950. On the mainland of China, in addition to receiving fixed-term deposits in terms of real units, the People's Bank instituted credit control whereby the commercial banks were obliged to keep fixed balances with it in addition to fixed ratios of cash balances to their deposits in their tills. The People's Bank also froze all deposits of government-operated organizations on 5 November 1950 and releases from these were made subject to strict certification. In Taiwan, the Bank of

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[4] See chapter XIV on "Public Finance".

Taiwan instituted restrictions on loans and other measures to maintain the value of the new Taiwan yuan during 1949. In Hong Kong mild deflationary measures were taken by the Hong Kong and Shanghai Bank in gradually withdrawing the currency notes in circulation as a preventive measure against the possible return of notes from the mainland. This led to a tight money situation.

In Japan the counter-deflationary policy adopted in 1949 was relaxed. In May 1950 the Bank of Japan announced a tight credit policy and enjoined that the borrowed money of commercial banks from the central bank should not exceed the amount outstanding at the end of April. The reversal of the counter-deflationary policy noted in the 1949 *Survey* can be seen from the fact that the additional increase in the credit of the Bank of Japan was 41.5 billion yen in the first half of 1950, while there was a decrease of 15.6 billion yen in the second half of the year.

Foreign Trade

The large import surpluses during the years 1946 to 1949 not only increased the supply of badly needed goods, but were obtained from countries where the rise in prices was substantially lower than in the importin countries. In the first half of 1949, in particular, the American recessio resulted in a general fall in import prices in the region. Devaluation led t a rise in import prices which increased further in connexion with th rearmament programmes of the western countries and especially the wa in Korea. The latter, besides causing increased production costs, led to significant increase in the costs of shipping and insurance. The availabilit of imports was also seriously affected.

In the mainland of China there was for the first time an export surplu In Japan the import surplus was reduced as a result of expansion exports. Export trade plays an important part in the economies of Burm Ceylon, Indochina, Indonesia, Malaya, Pakistan, the Philippines an Thailand. There was no rise in the export price of rice in Thailand, bu the quantities of exports in 1950 increased by as much as 25 per cent ove those of the previous year. Burma secured a price rise of more than 5 pe cent, while the quantities exported showed only an insignificant rise. Th exports of rice from Indochina registered an increase of more than 25 pe cent in price and 10 per cent in quantity. Pakistan also sold its exportab surplus of rice, wheat and grain at favourable prices. The year is note worthy, however, particularly for the export boom which developed for ti rubber, copra and coconut oil and other essential materials as a result of th stock-piling programmes of the United States and other countries. This wa intensified by the war in Korea. The prices of rubber in the Singapo market increased from $M0.48 per lb. in December 1949 to $M1.71 December 1950. The exports of rubber from the ECAFE region in 19 were 22 per cent higher than in the previous year. Tin prices were al doubled, and the quantities exported increased by about 8 per cent for tin in concentrates and by about 50 per cent for tin metal. The latter excludes the exports from the mainland of China, which are not known. The prices of copra and coconut oil in Ceylon rose from Rs. 150 and Rs. 1,022 per ton in December 1949 to Rs. 231 and Rs. 1,587 respectively in November 1950, the latest month for which quotations are available. Price rises for these commodities were registered in the Philippines.

Summing up the effects of foreign trade, therefore, it may be observed that, on account of both imports and exports, inflationary pressures developed in the economies of the region during the year. Instead of the characteristic import surpluses of the years 1946 to 1949, the year 1950 was one of export surplus. While the balance-of-payments difficulties were eased, the increasing rates of price rises in the latter half of the year were causing concern in practically all the countries of the region.

PRICE CONTROLS, SUBSIDIES AND RATIONING

Price controls superimposed upon subsidies and rationing have been in operation in several countries in order to prevent the full impact of the inflationary forces on price levels, particularly of food, textiles, fuel, and a few other consumer goods. These have been extensively described in previous issues of the *Survey*.

In some countries, however, the conscious efforts of governments to curb price rises have not succeeded owing to various factors, one of which is that production of most goods in the countries is scattered among a large number of producers and distribution to the consumers is made through a large number of small middlemen. This makes controls more difficult to administer. Another reason is the lack of the trained administrative personnel required to implement these measures of control over large areas with a low degree of literacy. Even if the personnel had been available, many administrations would have found it impossible to budget for the large number of civil servants required to make the controls effective. Failing this, the imposition of controls has usually been followed by the emergence of black markets and the disappearance of the commodities from the normal channels of trade.

Prior to the Korean war, *Thailand* was the only country which had a relatively free economy except for the requirement to obtain import licences for non-essential goods. In 1950, however, the price of sugar went up and the Government was compelled to put a ceiling on it. The *Philippines* also had a relatively free economy prior to December 1949, when exchange-control measures were introduced to combat the heavy deficits in the balance of payments. As a first step the Government tried to curb speculative activities by prescribing price ceilings, but they were ineffective. Later on in 1950, price control was established by law. The Government attempted to control the prices of food products, textbooks and school supplies and construction materials. The Philippine price-control system operates through three organs: viz., the Price Administration Board (PAB), the Price Stabilization Corporation (PRISCO) and the National Bureau of Investigation (NBI). To the PRISCO falls the job of canvassing the market for current trends in prices and making recommendations to the PAB on reasonable ceiling prices; the PAB pegs these prices on controlled articles with the final approval of the President; and the NBI, under which all price-control agents and offices of the Government have been integrated, enforces these ceilings. The major policies of PRISCO are: (i) guarding the market against shortages and (ii) non-competition with private business. As a result of the latter, the Government has stopped merchandising through the various stores organized under the Philippine Relief and Trade Rehabilitation Administration (PRATA). The PRISCO sought a 4 million dollar allocation to finance private traders to import ex-quota such items as are found disappearing from the open market, particularly milk, milled oats, poultry feed, medicines, steel products and tyres and tubes. *Pakistan,* on the other hand, found it possible to abolish an extensive price-control and rationing machinery which on partition it had inherited from the then Government of India. The wheat crop in the 1949/50 season was good and left a sizable export surplus. Wheat rationing, however, continued in West Pakistan partly because the Government wanted to sell stocks. Free-market prices, however, fell below rationed prices and there was, therefore, little incentive to buy the ration. In July 1950 the Government abandoned wheat rationing. Petrol rationing was also abolished from July 1950. Millets (jowar and bajra) had been decontrolled already in December 1949. Of the food items, sugar alone remains on the ration.

Controls continued to characterize the economies of the rest of the countries of the region.

Following the outbreak of the Korean war steps were being taken in *Burma* with a view to preventing a rise in the prices of foodstuffs. In July 1950 the Rangoon District Peace Council arranged for rice to be sold at cheap rates by the area rationing officers with the assistance of the local security council. Cooking oil was to be sold through consumers' cooperative.

In *Ceylon* the sugar shortage became acute in 1950. In July 1950 the authorities intended to carry out the entire distribution of sugar, as for rice, through the medium of co-operatives and authorized dealers throughout the island. Rice in Ceylon is imported solely by the Government; it is rationed and its price is controlled. The price-control and wage-regulation measures are reinforced by relatively large subsidies on rice. In December 1950 these subsidies were increased by five cents per measure, and were expected to cost the Government an additional amount of Rs. 22 million. The amount of subsidy already budgeted for 1949 was Rs. 25 million.

On the mainland of *China* the People's Government succeeded in curbing the inflation by centralized distribution through government trading companies and large-scale dumping of the confiscated National Government stocks and private hoards. Prices began to rise after October 1949 when these stocks ran out. There is no price control in China, but profit margins are fixed. Nor is there a comprehensive rationing system. Partial rationing of rice was adopted in big cities, where point rations were given to individual workers and government employees, but the purchase of additional amounts in the open market was permitted. The Government's scheme of centralized distribution operates through a complex of government trading companies, which purchase in bulk directly from the producers, allocate supplies between urban and rural areas, and operate retail shops at low profit margins. The foreign-trade companies control the composition of imports and have a monopoly of exports.

In *Hong Kong* rationing, retail price control, procurement of supplies on government account, and rent control continued to operate. The Hong Kong Government was holding stocks of cotton yarns, rice, coal and sugar which could be released to stabilize a fluctuating market. The extensive price control in Hong Kong covered foodstuffs, beer, wines and spirits, tobacco, ice, motor vehicle indicators, knitting wool, patent medicines, photographic supplies for printing and developing and rubber goods.

After an unsuccessful experiment with decontrol, the Government of *India* had reintroduced the abolished controls in the second half of 1948. Rationing and price control of food continued throughout 1949 and 1950. Following the outbreak of war in Korea in September 1950 price control was extended to non-ferrous metals, bicycles, electric bulbs, razor blades, infant foods, cycle tyres and tubes, caustic soda, tanning materials, raw rubber and casein.

In *Indonesia* severe restrictions were placed on the transport of consumer items and foodstuffs in order to prevent hoarding. The transport of rice was controlled very tightly to enable the Food Supplies Board to buy it for rationed distribution. Besides rice, wheat and wheat-meal, dry yeast, tinned milk, cigarettes, matches, petroleum, textiles and sugar were rationed. In 1950, to reduce the disparity between official cost price of import goods and the local price level, in addition to the monetary measures noted above, unlimited imports at first were permitted of yarn and medicines. As the exchange situation improved, import controls were lifted from more articles. In April 1950 prices of textiles (except a few types), sweetened condensed milk, corned beef, paper (except newsprint), and cycle spare parts were decontrolled. These were, however, subject to "Regulation Free Sales, 1950" whereby they were allowed to be sold at maximum prices and 95 per cent of the profits was to be collected by the Government as a special tax.

In *Malaya* as a result of the rise in prices following the outbreak of war in Korea, a Food and Price Control Advisory Board was being formed in September 1950.

While the measures to attain economic stabilization in *Japan* continued in 1950, the Korean war raised the problem of combating inflationary factors, particularly when the price-control system had been curtailed to a great extent following economic stabilization. The number of controlled items went on decreasing from 1,300 in January 1950 to 576 in January 1951. The rate of decontrol, however, decreased greatly after September. There was also a curtailment of price-adjustment subsidies. The amount o Y. 202,000 million budgeted for the fiscal year 1949 was reduced by Y. 23,000 million in the supplementary budget for the year, and furthe curtailed to Y. 90,000 million in the original budget for the fiscal year 1950 and to Y. 64,000 million in the supplementary budget for 1950. This subsidy was to apply only to foodstuffs. Following the outbreak of the wa in Korea measures were taken to lay down a standard of prices for worste yarn, rayon, staple fibre, etc., which showed extremely high rises.

SUMMARY

The year 1950, therefore, was a year of the revival of inflation. Thre factors contributed to this: devaluation, stock-piling and rearmament programmes of the western countries, and the war in Korea.

The devaluation led to a rise in import prices for goods from hard-currency areas. It also led to a rise in prices of goods from soft-currency areas owing to reduced availability through diversion to hard-currency areas On the other hand, devaluation — a product of balance-of-payments diff culties — was already preceded by tightened import controls. Import therefore, declined in quantity and increased in price.

The boom in exports of the region, caused by the extension of stock-pilin programmes of the United States and other western countries as a resu of increasing international tension, helped to raise export incomes in mo countries of the region. The export boom significantly contributed to th inflationary pressures in Ceylon, Indonesia, Malaya and Thailand.

The export boom was intensified by the outbreak of war in Korea. Larg amounts of Japanese resources were diverted to meet demands arising fro the war in Korea. For this and other reasons, Japan experienced an expo boom. The rise in prices of exports from Japan further raised the pri levels in the economies of the ECAFE region. The war led to the reappearance of speculative elements which blocked the flow of goods from t normal channels of distribution.

This was the general pattern of prices during the year. In addition the were local factors influencing the price levels. In the mainland of China the beginning of the year and in India at the close of the year, acute fo shortages manifested themselves and contributed to price rises. In Bur and Indonesia, on the other hand, increased imports and an improv transport situation acted in the reverse direction. Increased imports a good crops in Pakistan also tended to lower the prices in the first half of the year. These factors, however, could not contain the inflationary pressures in these countries which were generated in the second half, particularly after the outbreak of war in Korea.

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ECONOMIC SURVEY OF ASIA AND THE FAR EAST, 1949

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The third issue of the *Economic Survey of Asia and the Far East,* consisting of eighteen chapters with 131 statistical tables, three maps and an index, is divided into two parts. The first part, which reviews the year's economic developments, covers about the same ground as the 1948 survey. The second part, dealing with the principal factors and problems underlying the region's post-war economic development, incorporates the results of the Secretariat studies on mineral resources, economic planning, foreign investment and flood control, in addition to brief analyses of population changes, intra-regional co-operation and the position of the region in the world economy.

The *Survey* is the co-operative work of all the substantive divisions working in collaboration with the Research and Statistics Division of the Secretariat. Assistance was also rendered by divisions of the Department of Economic Affairs and the Department of Social Affairs of the United Nations Secretariat, and by the Food and Agriculture Organization, the International Labour Organisation and other specialized agencies. For the preparation of the *Survey,* Governments in the ECAFE region and Japan supplied much published material on the economy of their countries, and some appointed correspondents to co-ordinate the supply of information from different ministries, central banks, statistical services and other government departments.

The 1949 issue, like the earlier ones for 1947 and 1948, will be used as a standard reference on Far Eastern economics, indispensable to governments, universities and colleges, public and private libraries, research institutions and students of Far Eastern affairs.

". . . . . . gives a remarkably full and exhaustive account of the economic situation during the year 1949, and of the factors underlying post-war development in each of the countries covered by this Commission, including Japan which is not at present a member of ECAFE. . . . . The volume contains a large number of valuable statistical tables on all aspects of economic life in these countries and maps of the coal and iron reserves of the region."

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ECONOMIC BULLETIN
FOR
ASIA AND THE FAR EAST

This **Bulletin** is intended to provide a regular review of the economic situation of Asia and the Far East in the intervals between the publication of the annual **Economic Survey of Asia and the Far East.** Three issues of the **Bulletin** are published annually, in August, November and February, covering the first, second and third quarters of the year, respectively. The analysis of economic developments in the fourth quarter of the year is included in the **Economic Survey of Asia and the Far East** (which is usually published at the end of May). In addition to the general review of economic developments in the quarter and the compendium of Asian Economic Statistics on which it is based, the **Bulletin** contains special articles on particular subjects related to problems of Asian economy.

The **Bulletin,** which is prepared by the Research and Statistics Division of the secretariat of the Economic Commission for Asia and the Far East, is published entirely on the responsibility of the secretariat, and its contents, which are intended for the use of both governments and the general public, have not been submitted to the member governments of the Commission before publication.

Volume I, Numbers 1-3, First, Second and Third Quarters 1950
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Flood Damage and Flood-Control Activities in Asia and the Far East

This report, which is the first number of a "Flood-Control" series prepared by the Bureau of Flood Control of the Economic Commission for Asia and the Far East, consists of 100 pages of text and 18 four-colour maps as well as many other graphs and illustrations. Material for the study has been obtained from technical organizations dealing with flood control within ECAFE's governments in reply to a questionnaire addressed to them by the Bureau.

Chapter I gives a summary hydrology of Asia and the Far East broken down into temperature, pressure and wind, precipitation and cyclone, run-off and silt flow. Chapter II traces the development of flood-control measures and physiographical influences thereon. Chapter III lists flood damage and flood-control activities for various rivers of the region, including the Brahmaputra, Damodar, Ganges, Kosi and Mahandi of India, the Hai, Huai, Pearl, Red, Yangtze and Yellow of China, the Chao Phya of Thailand, the Irrawaddy of Burma, the Kelani of Ceylon, the Solo and Brantas of Indonesia, the Mekong of Indochina and the Pampanga and Agno of the Philippines. The four-colour maps give details of flood-control works for these rivers. A summary of basic data on these rivers is also included.

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Foreign Investment Laws and Regulations of the Countries of Asia and the Far East

One of a series of studies related to problems of economic development in Asia and the Far East, this report contains data supplied by the Governments of Burma, Ceylon, India, Indochina, Indonesia, the Republic of Korea, the Federation of Malaya and the Colony of Singapore, Nepal, North Borneo, Pakistan, the Philippines, Thailand and Japan.

The presentation of data follows a similar pattern for each of these countries. There is first a section on the policy of the individual government with respect to foreign investments, which often includes relevant portions of laws and regulations and statements of official policy. The second section deals with policies laid down by each government on the subject of nationalization of enterprises. Next comes a section on economic controls with sub-sections devoted, as in the case of India, for example, to (*a*) industry, (*b*) banking, (*c*) insurance, (*d*) mining, (*e*) coastal shipping, (*f*) capital issues, (*g*) registration of foreign companies, (*h*) sale of securities, (*i*) remittance of profits, dividends, etc., (*j*) payment of dividends. The final section relates to taxation and, particularly, to such problems as taxes on the incomes of individuals, unregistered firms and other associations; income taxes on corporate enterprises; tax concessions for industry; discrimination against foreign enterprises, and relief from double taxation.

The report includes an appendix listing the governmental authorities which may be contacted by prospective foreign investors in the various countries of the region.

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